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Problems and Prospects of Entrepreneurship

The Changing Dynamics of Industrial Employment: Issues for Consideration

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EDITORIAL - SOME HIGHLIGHTS

I. General Economic Scene

State

Plan

The VIII Plan outlay of Rs. 10,200 crores as earlier pointed out, which was a 77 per cent increase over the VII Plan at Rs. 5750 crores involved some hard decisions and mid course corrections during 1991-92, during which year the state was able to demonstrate a financial performance which could ensure a plan of Rs. 1751 crores and the VIII Plan outlay. By the end of 1991-92 the state faced a deficit of Rs. 898 crores, including Rs. 500 crores because of various subsidies. To this the abolition of the cheap liquor scheme added Rs. 322 crores, raising the 1991-92 budget deficit to Rs. 1220 crores. Then followed a series of hard decisions to correct the situation, starting with a stiff increase in power tariff which brought in Rs. 153 crores and reduced the power subsidy by that amount. Next came the bus fare hike which raised Rs. 100 crores. The budget proposed fresh taxes for Rs. 70 crores. The duty and tax on IMFL raised Rs. 260 crores. Then there was a loan of Rs. 150 crores against small savings. All this made possible for meeting the 1991-92 annual plan of Rs. 1605 crores, with the actual rising to Rs. 1650 crores, bringing down the budget deficit at the close of the year to Rs. 201 crores. The thrust of the VIII Plan is on the infrastructural and social sectors. The outlay on power is up by 50 per cent to Rs 3000 crores, water supply and sanitation get an increase of 141 per cent to Rs. 1450 crores, roads and bridges get a 246 percent increase to Rs. 450 crores, education gets an increase of 63 per cent, health 77 per cent, SC & ST Welfare 185 per cent and environment 5 times to Rs. 26 lakhs. The state still faces a difficult financial task during the VIII Plan and may have to return to the proposal to increase the issue price of rice, when the Agricultural Prices Commission announces the new support prices for the year. Similarly it may have to revert to the decision to raise the tariff and reduce the free power

to farmers. As its expenditure is rising on account of repayment of loans and interest, its share of small savings is falling by about 50 per cent of last year at Rs 150 crores. Thus some hard decisions face the government.

Climate and prices

In July the climate in the state was varied. Bouts of south west monsoon rains alternated with some serious pauses in the rainfall. Madras received little rain, being less than 10 per cent of its normal for July to the point where drinking water supply in some areas of the city-like Adyar, Besant Nagar, Indira Nagar, Kamaraj Nagar in Thiruvanmiyur-has been hit owing to the depletion of ground water and the water table going down. There is a danger of saline water seepage in these areas which had to be guarded against. On prices, the all India truckers strike sent consumer prices-vegetable, fruits, fish, soaring in July. The CSO monthly abstract for March 1992 reports that the Index number of consumer prices for industrial workers rose from 210 in August 1991, to 211 in September, to 214 in October and spurted sharply to 224 in November and December 1991. The Index number of consumer prices for agricultural labourers rose from 861 in August 1991 to 887 in September, to 912 in October and 931 in November, this sharp rise in rural prices being due to the 87 point inflation in food prices from 922 in August to 1003 in November 1991. The consumer price index for urban non manual workers registered a much slower and moderate rate inflation from August to December from - 188 to 193 in Madras, from 182 to 191 in Coimbatore, from 175 to 183 in Salem, from 184 to 194 in Madurai and from 182 to 192 in Tiruchy. This urban inflation for the middle classes moved up gradually unlike the rural prices.

Power

The power situation in July in the state was normal. There were a few hiccups due to a breakdown of some plants in Neyveli and strike in others. The Tamil Nadu Electricity Board reports that the fate of the proposed gas based power plant at Basin Bridge (See Vol XXVII p283) is in doubt because of its economic feasibility. The Tamil Nadu Electricity Board which floated a global tender for turbines and generators finds that the lowest bid is for Rs. 293 crores which means a generation cost of Rs. 6.09 a unit. The Board has persuaded the Japanese firm to lower the price to Rs. 220 crores but even so the generation cost will be Rs. 4 a unit. In the absence of an alternative and to make power available to the growing industries in the state, the government is thinking of establishing the unit and absorb the loss. Whether this will be possible remains to be seen. An equally urgent question is importing Australian coal which has no impurities like Indian coal and costs the same Rs. 1200-1300 per tonne if the tariff duty of 85 per cent is excluded. To promote industrialisation in the state the 85 per cent tariff duty should be waived. The work on the North Madras Thermal project is going well and the first of the 3 units of 210 MW generator will be commisioned in June 1993. Due to the satisfactory inflow into the reservoir, the total storage at the end of July was 1954 MU, giving the possibility of another power cut free year.

For the country as a whole, the power situation continues to be difficult. The South West Monsoon which set in fully

in Kerala, Karnataka, South Tamil Nadu and AP and in the latter half of the month in Maharashtra, has only partially helped relieve the power shortage because not all hydel reservoirs have received rains. There is a serious financial resources crunch facing the power sector. There is likely to be a peaking power shortage soon because the hydel power has not picked up momentum and its share at the end of March 1991 was 28 per cent against the national requirement of 40 per cent and by the end of the VIII Plan, it will be 20 per cent, with hydel target reduced from 14,000 MW to 6000 MW, which even at this rate is in some doubt. The original target included the 1500 MW Naptha Jhakri project, the 2400 MW Tehri project which at their present state of readiness will not be completed in this plan. This situation also obtains for all NHPC projects during the plan period. These projects include 540 MW chamera (HP), 345 MW Sahal II, 300 MW Dal Harti and 480 MW urs (all in J&K), 60 MW Rangit in Sikkim, 710 MW Koel Karo (Bihar) and 280 MU Dhauli Ganga (UP). Another problem facing the power sector is the enticing of the private sector to enter the power field. State Boards owe NTPC Rs. 1500 crores and NHPC over Rs. 210 crores. The Rao Committee on two part tariff has only added confusion. The dejure transfer of assets from the central units to NPTC is yet to take place. Power thefts on energy conservation, rampant corruption, over staffing, poor manpower utilisation, lack of proper coordination with the state governments, over centralization with CEA for project clearances, bureaucratic delays are some of the problems now facing the power sector which need urgent attention.

Water

As noted earlier, the south of the state has received good rains as part of the south west monsoon. The catchment areas in Karnataka have had such plentiful rain, that the Kabini reservoirs has been overflowing, and as noted in the last issue, water was being released to Mettur. The inflow into Mettur has been between 12000 to 20,000 cusecs a day giving up to 1 lakh cusecs in the last week of July, and the level of water in the reservoir has been 92.90 feet on July 30, the full level being 120 per cent. The Rs. 603 lakh Coimbatore Water supply project, aided by the World Bank will be completed by December 1992. It will supply water to Coimbatore, 20 panchayats and 523 other rural habitations. A Rs. 10 crore water distribution net work is being set up in Coimbatore to augment the existing net work, from the Pillur reservoir fed by the river Bhavani. Both these are part of the second instalment of the Rs. 372 crore from the World Bank to step up water supply to Coimbatore, Madurai, Salem and 44 small towns. To meet Ramanathapuram drinking water problem, 58 desalination plants are being set up in phases. The Rs. 30 crores major plant is to be established at Sayalgudi to provide 35 lakh litres daily. BHEL is undertaking the execution of the project.

Housing and Urban Development

The state government has taken a series of measures to promote housing. One is sales tax and excise duty concession to housing and materials and components produced in industrial units. Detailed specification of cost estimates are being worked out by various government corporations and departments for use of new materials and new techniques

in house building. Some provisions of the Rent Control Act are being relaxed and the various centres and regulations are being streamlined. An advisory committee is being formed, consisting of the main bodies involved in housing construction to advise on housing. Also the urban land ceiling and regulation act is to be reviewed. The state government has launched a programme "operation clean up" to remove all malpractices and irregularities in 3600 fair price shops in the 3 municipal corporations and 98 municipalities in the state. TNSC, Civil Supplies and Cooperation departments and police are involved in the massive programme, covering 34 lakh family cards, the cards are being surrendered and new cards issued within 3 days of the surrender.

Transport

A $285 million ADB loan has been negotiated for the development and modernisation of Ennore (and Paradeep) ports, $140 million is for Ennore development, starting with constructing 2 berths for coal handling on the land acquired by the governments for this purpose. TNEB is looking after developing the necessary onshore facilities. Port traffic has recorded steady growth, in April-June traffic registering 10 per cent increase, against the 1991-92 record utilisation of 160 million tonnes. On the negative side, the unnecessary delay of over 2 years by union ministry of transport on replacing ordinary cranes by gentry cranes has sent up their cost from Rs. 15 crores to Rs. 35 crores. The new modern cranes will increase the value of coal that is transferred and also make the transfer smoother. The movement for the state shedding operations which can be undertaken by the private sector is now being applied by the union ministry to the Madras port. The Madras Port Trust with the help of the city chambers of commerce and industry is identifying the areas which can be privatised. These include areas like special cargo handling equipment, floating cranes, pilotage, pollution control measures, water supply to ships through barges and even construction of additional berths. In July the all India unigauge project for the railways was inaugurated under which the whole of the existing metregauge will be converted into the broadgauge. This single broad gauge will be an important milestone in the country's commence. Work on the Madras city Mass Rapid Transit System (MRTS) is progressing slowly in stages. The work on the Chintadripet elevated station will be completed by the end of this year, the Park Town-Chepauk sector by mid 1993 and from Chepauk to Luz by 1995. The MRTS from Madras Beach to Luz covers 8.53 km and is aligned along the Buckingham Canal. This is the first elevated Railway construction in the country and so its many challenges are being squarely faced and met.

Monopoly Procurement

The government has extended upto 31 August the monopoly procurement of paddy in the Cauvery delta covering Thanjavur and parts of Tiruchi, South Arcot and Pudukottai districts. This will enable the late samba paddy to be procured. So far 12 lakh tonnes of paddy has been procured against last year's 10 lakh tonnes. As Kuruvai has started and is doing very well with Mettur water release, the procurement deadline is likely to be further extended to cover kuruvai paddy.

Population

The birth rate in the state is 22.1 per 1000 in 1991, against 28 per 1000 in 1981 and 23.1 per 1000 in 1989. The death rate has declined to 8 per thousand in 1989 against 11.8 per thousand in 1981. So the state's population growth is 1.49 per cent, next to the lowest rate of Kerala of 1.39 per cent. Even so this is too large population increase from 4.84 crores in 1981 to 5.56 crores in in 1991 - which means that food, clothing, housing, schooling, employment have to be provided to 14 lakh more households.

States loan and Stock Exchange

24 states have borrowed Rs. 1200 crores in the first tranche of borrowing by the states for 1992-93. The states will come for their second tranche in September when their Rs. 309.20 crores mature. On July 27, the special court judge set forth a formula to bet tainted shares with which shares purchased by bonafide buyers for value is to be released from attachment by the income tax department and the custodian. This should enable the stock exchanges of Bombay, Delhi, Calcutta, Madras to begin functioning, a problem which is referred to later.

National

Plan

As of the end of July, the Eighth Plan as revised by the National Development Council has not yet been placed on the table of Parliament, when it becomes a public document. The World Bank has commented on the draft which was before NDC. On the whole, its comments are negative, but where it is specific it should be taken into account. The general comment that the methodology of the Plan is disappointing, its targets unrealistic, and there is a mismatch between the text and the figures. The text speaks of increased deregulation which will contain government expenditure, but the data on expenditure shows an increase from 12 to 12.2 per cent. While the Plan talks of a substantial cut in subsidies, the data shows only a small 0.5 per cent reduction. Against the promised, containing of the revenue expenditure of the government, there is an increase in non interest current expenditure. The Plan is at current prices and does not provide for inflation. The agricultural targets are unrealistic as for instance in the annual 4 per cent growth in foodgrains against the actual of 2 5 to 2.8 per cent growth in post green revolution period, including assuming an annual 5.4 per cent growth in foodgrains against the 1 per cent increase in the past, pulses, growth targeted an annual 4 per cent against an actual 2.1 per cent, oil seeds 5.6 per cent against 4.1 per cent and cotton 5.9 per cent against 1.6 per cent. On wheat the 3.3 per cent annual growth rate is below the actual but will not be realised in the future given the stagnation at 50.55 million tonnes in the past 4 years and the increasing diversion of the area to other crops against which the plan assumes 0.75 million acres increase. Fertiliser consumption is forecast to increase from 13.5 million tonnes to 18.3 million tonnes by the Plan, and which is necessary to attain the foodgrain target but the problem of resources needed is not dealt with and the allocation in imports which will have to be substituted. Again HYS area is assessed to increase by 15.4 million hectares during the Plan whereas in the last Plan the increase was 6.4 million hectares. The Education sector is vague

and inadequate in terms of finance. The infrastructure for universal elementary education is not provided and the proposal to reduce costs by heavy reliance on non formal education will only lower quality. On the industrial sector, it finds adherence to "past policy shibboleths", like regional dispersal of industries through growth centres in backward areas and encouraging R & D for assimilating of imported technologies. It does not provide for price control on drugs and pharmaceuticals. Some of these criticisms, if not most, stems from the Bank's biases in favour of the market. The only part which should be taken into account is the first part where the contradiction between the plan intentions and statistical data is pointed out. That should be looked into.

Prices

The rate of inflation for June 1991 measured on the basis of the wholesale price index on a point to point basis was 0.9 per cent, the whole sale price index standing at 222.8 on June 27. The consumer price index for industrial workers rose by 3 points at 234 which was a rate of inflation of over 2 per cent. The rise in the whole sale price index was due to the rise in price - of cereals including rice, ragi and jowar by 3 per cent and a marginal rise in price of non food articles 0.6 per cent. The annual rate of inflation as at 27 June was lower at 11.34 per cent against the May rate of 12.8 per cent as pointed in the last issue. Does this mean that inflation is declining? The answer is yes as the data shows, and no as a long term price trend. This fall is caused by temporary fall in demand and curb in money supply.

Stock Exchange, Budget and Bank Supervision

In his July statement to Parliament, the Finance Minister stated that the SEBI Act is being reviewed in order to bring amendments to it to make it more effective particularly to ensure greater transparency in transactions which will eliminate manipulation of stock prices and insider trading. This reform is needed to make the brokers act in conformity with the guidelines including the problem of "tainted shares" related to the stock exchange operation of Harshad Mehta. This problem led to the Bombay, Delhi, Madras exchanges not doing any business in June. This should be corrected in the reform being worked out. SEBI also reports that in the last 6 months it has received 1,37,955 investor complaints, of which 84,915 were on non receipt of refunded orders and allotment letters, 34,104 on non receipt of shares and debentures certificates, 11,954 on non receipt of dividends/interest. A part of this is due to the companies which need to keep SEBI informed of their response to the complaints pertaining to them. Where they concern brokers, which is a smaller number, SEBI can act directly. The government also announced in Parliament that it will set up a new stock exchange in New Bombay which would be a model exchange, completely automated in trading and settlement procedures and provide access to investors from all over the country. Also a national clearing and settlement system is being set up with a central department trust and a securities facilities support corporation which will establish and maintain the net work during exchanges. The Finance Minister in the same statement announces that it has planned to set up a higher power supervision board to oversee the funding of banks and other financial institutions. There is to be a separate special bureau on fraud to deal with serious frauds in these institutions. The Board will lay down operating guidelines,

look after supervision and enforce compliance. The Governor of RBI will be its chairman and the vice chairman will be a deputy governor of RBI. These seem to be the aftermath of the stock exchange scam, looks like bolting the stable door after the horse has run away. It is also important that the autonomy and lessening of controls of regulation of the banks and financial institutions should not be revised. On the budget, RBI data shows an alarming increase in the budget deficit from Rs. 4779 crores on April 3 to Rs. 14,948 crores on July 17. Unless this rate of increase is arrested, the budget strategy and the macro economic reforms will not be adequate to meet the current crisis.

Economy

On the economy, there are four major developments that are reported in July. First, the state of the economy, both the past year and the prognosis for the coming year causes concern. As noted in the Bulletin (Vol. XXII p25). RBIs report on Currency and Finance for 1990-91 forecasts that in 1991-92 the GDP growth rate will be 2.5 per cent, for agriculture 2.6 per cent, industry declining by 0.9 per cent with 2.7 per cent in manufacturing. RBIs quarterly review of developments (January-March) confirm this forecast and adds a 18.5 per cent increase in money supply (M_3) and gross fiscal deficit at 6.6 per. cent. The short term is even more alarming. In the June 1992 assessment by the finance ministry, it describes the overall state of the economy as "deficit pre monsoon rainfall, lower foodgrain stocks, procurement and offtake, stagnant industrial production, mixed trends in infrastructure and investment climate, higher growth in money supply, inflationary pressure to continue exports in dollar terms sluggish, trade deficit at record level, substantial improvement to external aid and marginal decline in foreign exchange reserves. Second, against this background, the fresh objectives for 1992-93 set by IMF stand in contrast as part of the conditions of the upper credit tranch of $2.2 billion received. These conditions include i) keeping broad money (M_3) below 10.5 per cent this year against the 19.5 per cent growth in 1991-92, ii) reducing the inflation rate to 8 per cent against 1991-92 over 13 per cent, iii) bringing down the fiscal deficit to 5 per cent from last year is 6.49 per cent of GDP. The finance minister has accepted these conditions because he says he sees no alternative to it for meeting country's balance of payments, but this will involve cutting the fertiliser subsidy and keeping the food subsidy to the Rs. 2500 crores provided in the budget. In addition he assures IMF that there will be current account convertibility of the rupee and unification of the dual exchange rate in 2 to 3 years. He believes that the economy will be on a high growth path of 5.5 per cent. IMF is pressing the government to establish the exit policy. Where are the resources to come from for the policy, given the slow down of the share and capital market to be referred to later. The government report fully to IMF targets for the first quarter of 1992-93 as set forth earlier. Third, a second report in June was the second Jankiraman report on the stock exchange scam. It now places the sum involved in the scam at Rs. 3542.78 crores against the Rs. 3078.96 crores in the first interim report, including the risk expansion of the banks now up from Rs. 3078.73 crores to Rs. 3192.79 crores, which it probably an under estimate, given the number of players involved, including 4 large foreign

banks. The instruments used alos increase and include assets exchanged or forward traded, the mixture of securities sales and call money receipts, BRs and public sector bonds. There were endless manipulations and cover up of losses by brokers and banks. There are many questions raised. How can banks be allowed to cope with their normal risk exposure and not be subject to new controls and a witch hunt? How long are the stock markets going to be closed? Would lifting the ban on ready forward trading revive the stock market? How can this be done without money safeguards? On the basis of a survey of 235 public sector and private companies, CII concludes that this year there will be double digit inflation combined with an improved business outlook, increase in the value of output and a growth rate of the 10 per cent. 70 per cent of the companies expect an improvement in business outlook, 27 per cent status quo and only 9 per cent foresee decline, 68 per cent expect a 10-15 per cent inflation and 60 per cent a sharp increase in plant and machinery which lays the base for the high growth rate forecast. The government has set up various institutions referred to earlier under stock exchange sector for the purpose but this is time consuming. Fourth, the government reported to Parliament in July that the incidence of poverty in the country has declined. The statement was that provisional (NSS), data for 1987-88 shows that 237.6 million people constituting 29.9 per cent of the country's population were living below the poverty line in that year which was 7 percentage points less than that for 1984-85. In making this report, the government stated that it rejects the World Bank's data on poverty. It refers to the updating of the poverty line taking into account the changes in prices, the concept itself being unchanged. For the VIII Plan, the base year (1991-92) poverty line has not changed. The poverty line is revised taking into account the 1991-92 prices from that of 1973-74. On this base, the rural poverty line is equal to an expenditure of Rs. 11000 and urban line Rs. 16,850. The per capita monthly income to avoid poverty has been increased from Rs. 49.09 in rural areas and Rs. 56.64 in urban areas at 1978-79 price and which are being updated with the 1991-92 prices. The data of the World Bank and MIDS studies show a much higher percentage of poverty. But taking the government data at face value, the per capita consumption expenditure on which the poverty line is calculated is open to question. There are other questions of relevance. A.K. Sen has raised the question as to whether the poverty abolition programme should be addressed to target groups or applied to all who are poor. His conclusion is that the poverty alleviation programme in which the poor should be participating, the policy should be politically viable. Further the UNCTAD, ILO and even the World Bank staff point to their studies which show that the structural adjustment programme continue to be factors of destablisation because they increase poverty and benefit upper (moneyed) sector. In fact the World Bank study states "the studies we are conducting for our next report on poverty and development indicate that the tendency in almost all third world countries is towards increased poverty and severe marginalisation". But the study hurriedly concludes that this does not mean that the World Bank is against the structural adjustment and economic liberalisation plans which are the only viable prescription, but "the way in which they are being applied worries us". The Indian structural adjustment programme is growing and deepening the country's poverty in the short run, as the cuts

in the Plan outlay on anti-poverty programmes.

Industry

IIP shows that the industrial growth rate in March 1992 registered a 1.3 per cent growth, (which the Economic Times describes as "recessionary conditions prevailing in the Indian economy appear to be abating - which is too rash a conclusion because the index also shows that for 1991-92 the growth rate was stagnant at 0.1 per cent compared to 8.3 per cent in 1990-92, according to CSO. The reasons for industrial stagnation are given as severe import curbs, high interest rates and increasing costs of imported inputs. The manufacturing sector records 3.6 per cent, -1.1 per cent and -3.1 per cent in the past 3 quarters but picked up in the fourth quarter to register +0.6 per cent. For the full financial year, manufactures recorded -1.7 per cent compared to 9.1 per cent in 1990-91. On account of recession in manufacture, industrial production dropped by 1 per centage point in the first half of 1991-92 compared to 11.6 per cent in the same period in the previous year. The slow down in industrial growth in the first half of 1991-92 was due to the 2·8 per cent decline in mining compared to the previous year's 3.2 per cent. Electricity production recorded a growth of 8.7 per cent compared to the previous year's 7.8 per cent. The government has decided to change the base year for the industrial production from 1980-81 to 1985-86. The weights for the different items are being changed. This will result in a different growth rate for the VII Plan. CII report that its survey of industry show a growing confidence in the near term as noted earlier, which is an improvement over the October 1991 survey which shows 51 per cent of firms interviewed expecting improvement, 22 per cent the same and 27 per cent worsening. On the project for the Small Farmers Agri Business Consortium (SFAC) for which the budget provided Rs. 100 crores, RBI, IDBI and and NABARD are promoting this autonomous project aimed at supporting improved innovative income and employment generating schemes for economically and socially disadvantaged sectors of society, including small farmers. The consortium will fund on the principles of economic efficiency, environmental soundness and social equity. It is organising 12 major projects in 1992-93 in different parts of the country based on a mix of enterprise with active participation from state government. Ten areas have been identified in which India has comparative advantage by global standards which cover food crops, oil seeds, coffee, sugarcane, horticulture, sericulture, dairy, poultry, acqua culture and agro forestry. There is developing a conflict between the agricultural ministry which wishes to be the nodal ministry for the project and Planning Commission which has planned it. This should be quickly resolved and the project got under way. On individual industries, the social audit panel for telecommunication has suggested creation of a watchdog panel by telephone exchange in the metro cities. This is needed and will make for efficiency. The World Bank recommends a massive entry of the private sector into the telecom sector. Foreign investors are being invited to enter the infrastructural field and not only in the consumer goods area. The response is awaited. Three South Korean companies have expressed their desire for a joint venture with Samita Engineering Company which specialises in making plant and equip-

ment for submerged arc welder units. This is one of the few projects which is being jointly planned by India with a developing country.

Financial Sector reforms

RBI and the World Bank are jointly studying the financial viability of the Indian banking system. The study concludes that the system has become unviable as its capital and reserves have been wiped out by the deterioration in the quality of the portfolio. The Narasimhan Committee report called attention to this, and the study gives details of the committee conclusions. The system faces a risk of default of interest payments and repayment of principal at 5 per cent of total assets, but its administrative costs as a proportion of its total assets is not high. On the basic criteria of efficiency, the system has not fared well. To improve RBI control, it recommends a three month RBI bill. This fills out the Narasimhan Committee observation of the financial viability of the system and the means of improving its effectiveness.

Public Sector enterprises

There were 3 developments in July with regard to public sector units. The public sector power projects are facing a financial crunch and in this context, the government has served them with guidelines, forcing them to replace their long and medium term financial plans and revise their project viability reports in light of the new financial guidelines. The existing cabinet direction to finance power projects by 50 per cent from union funds is being replaced by adhoc costly arrangement like the debt : equity ratio being well above the 1 : 1 guideline, mobilisation of expansion and short duration debts, non payments of dividend on their government subscribed capital. Now this adhocism is increasing with both NTPC and NHPC having massive debt of over Rs. 2000 crores due to them from SEBs. Against this background, the Krishnamurthy Committee on disinvestment of the public sector units, has recommended that the shares of the PSUs not listed in stock exchanges be disinvested not only to public sector financial institutions but also to foreign banks, selected share brokers, NRIs and private mutual funds. Finally the parliamentary committee of the commerce ministry is recommending a massive injection of funds and restructuring the chronically sick public sector units. It has visited many of the sick units and studied the alternative of closure or restructuring and recommends that they be restructured with the help of BIFR.

National Production Front

Steel

In July a further increase in steel price is anticipated to compensate for cost escalation since May when the last price rise was effected. But this coming price rise will be at a level which would not trigger inflation. The steel industry as a whole faces 2 serious bottlenecks which prevents it catching up with the growing demand for steel in the country which is at a low level with per capita consumption at a tiny 29 kg compared to 63 kg in China and 500 - 700 kg in US, Japan, Germany etc. The reason for the stagnation of steel production at 12 to 13 million tonnes is inadequate investment and delay in the introduction of new technologies. The freeing of the industry from licensing control, the involvement of the private sector which it is now

felt has both the expertise and resources to enter this capital intensive sector, the decision of sponge iron and pig iron industry and liberalised guidelines for the secondary steel sector should during the VIII Plan attract more investment resources and upgradation of the quality of inputs and greater attention on R&D. Already in the first quarter April-June 1992, the availability of mild steel increased by 9 per cent to 34.01 lakh tonnes from Rs. 31.39 lakh tonnes in the first quarter of 1991-92, net availability of pig iron rose to 4.29 lakh tonnes from 3.59 lakh tonnes. This trend is expected to continue and gather force in the next 3 quarter. MECON forecasts that 10 to 15 million additional tonnes of steel production may come up during the VIII Plan on the basis of the capacity being developed in the integrated and private sector.

Crude

India's crude oil products declined by 5 per cent from 685,000 barrels per day in 1991, while its consumption has shown a marginal increase of 0.01 per cent from 57.9 million tonnes in 1980 to 58 million tonnes. In the case of gas, production increased from 13 million tonnes in 1990 to 335 million tonnes in 1991. To counter this declining crude oil production trend, the government has taken a series of liberalisation measures, allowing private and foreign investment in the development of discovered oil field and in refineries. It has also decided to open for exploration oil blocks on round the year basis. Additional foreign investment of $1.3 billion to $1.9 billion is expected to flow into the industry as a result and increased crude exploration and availability during the VIII Plan. Discoveries of oil and gas are open for private/foreign investment under the production sharing basis. To start with 20 such field are being offered for such collaboration. On refineries, public sector oil companies will lower 2.6 per cent equity, the co-venturer 26 per cent and the balance of 48 per cent will be offered to the public. The new policy should be applied immediately to the production of oil and gas in the Krishna - Godavari basin, when the recoverable reserves shares are estimated as at January 1, 1992 at 58.56 million tonnes of gas and oil. If that is done, VIII Plan target for this basin of 3.30 million tonnes oil and 1.24 million tonnes of gas can be attained.

Coal

In July, the most important development in the coal fields, was the decision of the union government to set up a new 4000 MW power station in Orissa having coal rich Ibu valley in the state. Simultaneously it has decided to expand the Talcher chemical complex to 2000 MW. These two projects are part of the plan to generate 7000 MW of power in Orissa. Both projects will be put up for funding to the World Bank. Coal India report that as an opening on privatisation, it is identifying the mines, particularly the captive mines of power plants or iron and steel plants which can be turned over to the private sector. SAIL reports that it is going for a long term arrangement for importing 2 million tonnes of coking coal over a 2 year period. This would rationalise SAIL's import of coking coal which has now been accepted by the goverment. The government reports that the decision to allow free sale of coal of 20 million

tonnes, including 3,40,000 high quality coal has had a poor response with only 1.5 million tonnes of the former and 40,000 tonnes of the latter being sold The reason for this lack of response to the liberalisation of coal prices needs investigation. The government's charges introduced in the colliery control order from 1 July which removes the power of the coal controller to regulate coal supply and deliveries under the Essential Commodities Act particularly in Assam, the NE States need to be watched as this measure of liberalisation could give rise to rampant corruption.

Agricultural Production

The agricultural scene is a difficult area for two main reasons. First, the delay of the South West monsoon and its operation in spurts make any fore casting difficult. The monsoon season of 1 June to 30 September is a month late. It later spread over the country except in key areas of Punjab, Haryana and Western UP, and Rajasthan. Even after it set in and was in full force in Kerala, Karnataka, Gujarat, MP and West Bengal there was a pause for over 2 weeks in July. Of the 34 meteorological sub divisions in the country, 11 have received excess or normal rainfall, 34 face deficiency. These variation led the government to prepare a contingency of plans. Towards the end of the month, the monsoon revived in the deficient area of the North-Orissa, UP, J&K, West and East Rajasthan and East MP. This has brightened kharif prospects, which last year was estimated at 94.1 million tonnes against the target of 99.9 million tonnes, the decline being due to the fall in coarse grains output. Rabi wheat production could be higher than 1991-92 at 54.1 million tonnes. Pulses production last year was the same, while in oil seeds there was a shortfall of 7 to 11 lakh tonnes. Cotton production increased from 9.8 million tonnes to 10 million tonnes. It is too early to hazard a guess about the non food crops for this year. The second problem is the foodgrains stock and procurement situation. As at July 7, foodgrains stocks have been reduced by over 30 per cent, showing a reduction of 1.3 million tonnes in wheat and 1 million tonnes in rice, which means that against the minimum stock requirement of 3.7 million tonnes for wheat, with the actual use of 3 million tonnes and 2.4 million tonnes of rice with the actual at 2 million tonnes. Even more worrying than the fall in foodgrain procurement that represents is that the government has offered the highest procurement price of Rs. 250 per quintal for wheat plus a bonus of Rs. 25 per quintal, with some of the states raising the bonus and yet procurement has not picked up. For wheat, it was 11 million tonnes in 1990-91, it fell to 7.7 million tonnes in 1991-92 and is about 6.9 million tonnes now. While rice procurement in 1990-91 was 12 million tonnes, it is now 9 million tonnes. The reasons for this fall in procurement are a) the open market prices are higher than the minimum support prices, b) traders and millers have increased their purchase, c) farmers are holding back their yield in the hope of getting an even higher price at the end of the season. This situation has arisen despite the large number-9819 purchasing centres this season. Even as the procurement has declined, demand from PDS for foodgrains has increased and the government's decision to sell 9.25 lakh tonnes of wheat under the open sales scheme to contain prices may be noted. The number of fair price shops have increased from 3.15 lakhs in 1985

to 3.58 lakhs in 1990 and the quantity distributed has increased by 21 per cent at 187.69 lakh tonnes in 1991-92 against 154 12 lakh tonnes in 1987-88. The uncertain erratic monsoon and falling procurement of foodgrains present the country with a serious problem which is partly relieved by the import of 1 million tonnes of wheat from Canada. From a long term point of view, it is estimated that by 2000 the population will surpass 1 billion, which means foodgrain production will have to increase from the current 175 million tonnes to 220 million tonnes. Given the fact that there is little possibility of increasing the net cropped area beyond the amount of 141 million hectares, the increase of 45-50 million tonnes will have to come from increase in per hectare yield. And this requires increased inputs of fertilisers, HYV seeds, pesticide-all of which can be produced - but also the key input of water. Here the analysis of the time series data in 4 states - Punjab, Haryana, AP and Tamil Nadu shows that the yield of foodgrains in canal irrigated land is 3.8 lakh tonnes and those of tube wills irrigated land is 7.5 lakh tonnes in unirrigated lands. This means that there is urgent need to increase irrigation by all means tanks, canals, and tube wells and investment in them needs to be increased rapidly.

Foreign Trade and Balance of Payments

In the first 2 months of the current financial year April and May, India's trade deficit shot up to Rs. 2214.82 crores against Rs. 240.16 crores during April and May 1991. India's imports in Rupee terms showed an increase of 77.5 per cent from Rs 500.05 crores to Rs. 7663.43 crores between the first 2 months of 1992-93 and 1991-92. In dollar terms, however, India's export during the first two months amounted to $2666.83 million compared to $2737 million (a decline of 3.9 per cent) while import increased by 24.74 per cent from $2895 96 million to $3651.53 million. One of the problems is the sharp decline in exports to the Rupee payment areas which was negative, declining by 39.89 per cent to Rs. 389.34 crores. The demand and supply gap, both short term and long term credits for exports is expected to grow further and reach 86.8 per cent and 76.9 per cent by the end of the VIII Plan from 75 per cent and 56.3 per cent during the current year. If and when this happens, exports will suffer from both lack of credit and its high cost. It also means that to close the gap the institutional resource base will have to rise in both the short and long term. For 1992-93 exports in dollar terms are projected at -13 per cent by the commerce ministry at Rs. 57,850 crores which is a growth of 31.50 per cent and at over that of 1991-92 which is $20.10 billion compared to 1991-92 exports of 817.86 billion. These targets are fixed to meet the balance of payments commitments, involving the step up of exports. It is based on the assumption that world trade will recover in the coming years. The biggest export increase will be textiles (42.70 per cent) including handicrafts and carpets (Rs. 17.79 crores) followed by gems and jewellery at (37.80 per cent) Rs. 9300 crores, tea and coffee. This also means that exports will increase this year by 10 per cent reversing last year's negative growth. To boost exports, the export promotion capital goods (EPCG) share and the advance license scheme has been further liberalised and the value additional norm has been reduced. This is part of the modification in the 5 years export-import policy (1992-97) whose highlights were a) widening the definition of manufacture to include agriculture, acquaculture, animal husbandry, pisciculture, poultry

and seri-culture, b) physical exports by an exports promotion capital goods (EPCG), license holder to advance license holder to count towards fulfilment of export obligation, c) an EPCG license holder given the option to source capital goods from a domestic company, d) license holder permitted to import capital goods in semi knocked/completely knocked down conditions, e) computer software allowed to be imported under the advance license scheme, f) both IPRS and duty drawback to products exported under the duty exemption scheme, g) in addition to double weightage on net foreign exchange earned by SSI, triple weightage given to net foreign exchange earned by handloom and handicraft products to which also hand knitted carpets and silk products are assimilated, h) bonafide trade samples and proto types allowed to be imported without license, i) EOUs and EPZs allowed to export product through trading houses and j) use catalysts, byproducts will be allowed to be exported for regeneration pipes. The ministry reports that the feed back on the work of the five years export-import policy from industry has been positive and encouraging. The government also states that it is considering automatic approval for equity participation upto Rs. 2.5 crores, single window clearance within 90 days and automatic approval for accepting directorship on boards of foreign companies or promoting joint ventures alone. The government also notes with concern the continuing outflow of NRI deposits. During the first 2 months of 1991-92, NRI deposits worth $264 million flowed out of the country and in 1991-92 the outflow was $1.7 billion. This means that NRI still are not sure about the country's economic stability and commitment to open up. On specific export items, handloom exports have increased by 27 per cent in dollar terms and 70 per cent in Rupee terms in 1991-92 to Rs. 1810 crores. The government has lifted the 1 per cent cess on export of spices and oils. As a result of the ban on monsoon trawling in Kerala, marine exports are expected to fall by 50 per cent in the coming 3-4 months. Tyre exports are also falling in 1991-92, the export figure of Rs. 201 crores over Rs. 180 crores of the previous year is due to the steep devaluation of the Rupee. Engineering exports have increased to Rs. 4504 crores in 1991-92 against Rs. 3250 crores over the previous year. Despite global recession, export of leather and leather goods during 1991-92 totalled Rs. 3214 crores against Rs. 2554 in 1990-91 which was a 26 per cent increase in Rupee terms but a fall of 8 per cent in dollar terms The Council for Leather Exports has fixed a target of Rs. 4252 crores and $1.480 million. In this, leather footwear and garments are expanding fast. Textile exports recorded a high 22 per cent in dollar terms in April - May 1992. Except cotton textiles and jute all others showed a substantial increase. A world Bank funded report presented to the Department of Electronics states a policy under which India's initial software exports can be boosted to $1 billion by 1996 from the current 100 million. EEPC has fixed an engineering export target of Rs. 6250 crores in 1992-93. 1.5 lakh bales of raw jute are being exported in 1992-93.

Loans and Aid

In July, the World Bank in accordance with the pledge at the Aid India Consortium granted India a series of loans a) Rs. 14.5 crores to Tamil Nadu government to purchase 400 bus chassis for Pallavan Transport b) $92 million from IDA to expand rubber production in the country and make it

globally more competitive c) $326 million for the Indravati power project on the basis of a compromise agreement under which the Orissa government will execute the project on the basis of a new agreement, a project monetary system to be set up and appointment of consultants to speed the much delayed projects, d) $ 350 million for the second Maharashtra power project, e) the prospect of an additional loan to the Narmada project despite the unfavourable report of the Independent Review of the Sardar Sarovar project. Holland has offered Rs. 68 crores as part of its quick disbursing loan. The US Ex Im bank has approved guarantees for upto $100 million in loan on exports of US goods and services. IMF announced the release of $647 million as part of $1.6 billion under the 20 month upper credit tranche and standing arrangement entered into with IMF in October 31, 1991 for $2.2 billion to help tide over the critical balance of payment problem. India's foreign exchange reserves at the week ending July 17 was Rs. 16.246.50 crores which is a rise of Rs. 4247.46 crores over the reserves of Rs. 11,994.34 crores in March 29, the end of the last, financial year.

International

World Economy

IMF's World Economic Outlook 1992 states that the recent slow down in the world economy has persisted for a longer time than forecast in the October 1992 study. Following a small decline in world output in 1991, it expects a growth of 1.5 per cent in 1992, which will gain momentum in 1993. It notes that India and the Philippines faced large macro economic imbalances because of the Gulf crisis and were less resilient than some of the other countries which were also affected. India was also severely affected by the break up of USSR and by a shortage of foreign exchange. It refers to India's structural adjustment programme supported by IMF and along with Egypt and Zimbabwe the successfull efforts made to bring the public sector deficits under control. In 1990 and 1991 India's revenue was 11.4 per cent of its GDP and expenditure 19.2 per cent, resulting in a deficit of 7.8 per cent of GDP which is now being reduced. The UN's latest study "world investment report 1992, Transnational Corporations (TNCs) as engines of growth" makes a strong case for countries like India going in for more Foreign Direct Investment (FDI). It points out that what matters to investors is not dramatic departures from past policy but how the new policy's investment climate compares with investment opportunities elsewhere. Though FDI in India between August and December 1991 was more than nine times at $165 million over that of 1990 at $18 million, the foreign equity invested is far short of what the Indian government expected. The shortfall may be due to the normal lags in investor reaction to policy change or indicted by the fierce global competition. It is a bit of both. The report estimates that the world stock of FDI now stands at $1.7 trillion, with flows in 1990 being $225 billion. For many developing countries, FDI, most of which is generated by TNCs and is the principal source of FDIs, representing the main source (74 per cent) of long term foreign capital flows from private sources to over 90 developing countries between 1980 and 1990 and is an important means

by which they are integrated into the world economy. It points out that the world is characterised by a symbiotic relationship between trade and FDI, with intra developed countries trade amounting to one third of total trade. It also points out that TNCs outspend governments in technology, R&D and are increasing their involvement in some countries of Latin America and Asia though at a declining rate because FDI growth is increasingly concentrated in the US, EC and Japan which together account for three fourths of all FDI flows. Further, Eastern Europe and the countries of former USSR are becoming more important as host region for FDI and it forecasts that FDI flows to the region could exceed $50 billion by the end of the decade.

World Food

FAO estimates that world rice stocks will decline by 61 million in 1992 because the decline is the problem in China, India and Indonesia.

IMF

IMF announced a 1 year extension of its Enhanced Structural Adjustment Facility (ESAF). ESAF provides 10 year loan at 0.5 per cent interest. India is eligible to borrow from ESAF under very stiff conditions. India has not been able to meet some of the conditions under the standby loans, so taking an EASF loan will be near impossible.

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II. Agricultural Development in Tamil Nadu

Paddy and other crops

With the samba season coming to an end, the farmers have helped the government and its purchase centres to procure 12.39 lakh tonnes which is an all time high through the monopoly procurement of paddy. As earlier pointed out, monopoly procurement system which operates in the cauvery delta of Thanjavur and Nagapattinam, Quaide-Milleth and parts of Tiruchirapalli and Pudukottai and parts of South Arcot is likely to be extended beyond August 31 to cover the Kuruvai crop on which farmers are at work within this area of Tamil Nadu. This year the Thanjavur delta farmers have the resource of Mettur with the help of which they are planning to cover for Kuruvai 2.5 lakh hectares which has not been done for 7 years. In early July, farmers had covered 19,000 hectares in the delta area, 55000 hectares in other parts of the state. Transplantation by the farmers in the Mettur area cover 1 lakh hectares, of which by mid July they had covered 50,000 hectares, the transplantation extent being 17,3000 hectares in Thanjavur, 9300 hectares in Quaide-e-Milleth, 12,300 hectares in South Arcot, 1400 hectares in Trichy and 300 hectares in Pudukottai. In Madurai district which depends on water from the Periyar which in mid July stood a 128 feet, the full level of 152 feet, transplantation has been completed in 3000 hectares. The early opening of Pechiparai and Peruchai reservoirs, has helped farmers in the Kanyakumari district to start their kuruvai

sowing. But the inflows into Mettur and the other reservoirs are moving in spurts, leading to some anxiety about continuous water supply for the farmers. Farmers in the Cumbum valley have raised advanced nurseries in an area of 2260 hectares. Farmers in the Parambikulam-Aliyar project area have received water which will be increased in early August when the Tirumurthy reservoir is nearer capacity of 57 feet. Similarly the Amravathi dam is being opened to help the sugarcane farmers. Farmers growing cotton, coconut, groundnut, sunflower, gingelly and pulses also report good and in some cases very good conditions for cultivation. Both the farmers and the agriculture department in the state expect a good kharif crop of not less than 2 lakh tonnes of paddy. Farmers are also purchasing subsidised fertilisers from the cooperatives which have 5000 outlets and the agricultural department which has 800 outlets. The union has allocated the state Rs. 50 crores as fertiliser subsidy for small and marginal farmers. The first instalment of Rs. 24 crores has been released to the cooperatives and another Rs. 19 crores to the TN Agro Industries Corporation. A farmer who purchases Rs. 913 worth fertiliser for the paddy crop gets a subsidy of Rs. 210 which is not paid in cash but adjusted against the loan repayment to the corporation. For the groundnut farmers the subsidy is Rs. 140 on a purchase of Rs. 609 of fertiliser. Even so the Cooperative cover only about 25 per cent as the farmers. Also it is not known how many marginal farmers can afford to use fertilisers at even these subsidised rates. This should be examined in order to make sure that the subsidies reach the small and marginal farmers. ICAR announces setting up a Coconut Research Council in the state.

Research results

Of the 32 research report results made available in July, a group of four reports are of immediate use to the states farmers. The first group relates to rice where RRI Aduthurai released its paddy variety, JJ92 which has a soft long grain that can be used in briyani. Also some early kuruvai crop varieties - 5KM9 - ADT 36 and 37 which mature early and can be harvested in 105 days have been released by the Institute, with the extra early varieties maturing in 85 to 90 days. Also the Institute reports breeding a variety or samba crop better than cuttack's CR1029. Also the Institute calls attention to treating the fungus virus in Ginger with some control measures used against the virus in 1984. UAS, Bangalore reports on Mukthi (KTHI) and (CTH_3) and a white grained cold and blast tolerant vatiety. Cuddalore Research station reports on the basis of its experiments the farming methods including sowing methods, seed treatment, control of pests, to be followed in rice fallows in growing pulses - blackgram, green gram, and soya beans. The agricultural college, Killikulam reports that its field experiment showed that the application of horn meal as substitute replaces superphosphate needed and produces between 8565 kg and 7755 kg of rice. A second group of reports refers to other cereals and crops. The central plantation crop research station Kasargod reports that its experiments in growing the cacao tree which produces cocoa, to be planted between coconut rows and aricanut plants has resulted in varieties 1-21, 11-11 111-16 and 101 which can be grown here on the basis of a fertiliser schedule that is prescribed. TNAU, Coimbatore reports on its experiments with breaking yield ceiling on growth of the groundnut crop by application of growth regulators involving use of various chemicals which are described in detail for use by the farmer. The National Farmers Technology Research Centre, Vemban reports that

Azospirillari is a nitrogen fixing bacteria, which lives in the root system of cereals, millets and grasses. For soil innoculation 10 packets (2 kg) of azosprillum culture should be mixed with 25 kgs powdered. PYM and uniformly applied to the soil, producing a 12-15 per cent increase in maize yield. The Bihar Agricultural College reports on the experiments on pests and disease control in sesamum. This demands following a rigorous schedule of plant protection practices as set for the farmer. The agriculture research station Bijapur, also reports on the loss suffered by sesame (and gingelly) through the phyllody disease. The control measures, it suggests, altering sowing date, changing crop and diversity, removing weeds and reducing the vector population. TNAU reports that rust in sunflower spreads through wind borne inoculum. The fungus survives in the debris of the crop which should be destroyed as a simple method of controlling the pest. A third group of reports refers to fruits and vegetables. The Krishi Vigyan Kendra, Pondicherry reports that the black headed caterpillar which ravages coconut and coconut trees involves the following integrated control measures. Apart from chemical control, healthy and well maintained trees, removal of dried up and severely infested leaves and various biological controls can be effected. In severe cases chemicals (malathon 0.05 per cent) should be regularly sprayed. The college of forestry, Kerala agriculture university reports that a simple and effective way of protecting crops (and livestock) from high velocity winds which occur in Kanyakumari, Madurai and Ramanathapuram is to grow wind breaks as a shelter barrier. This involves design of avenue of the wind stream and polyculture plantation. S.V. Agriculture University, Thirupathi, reports on means of control of the nematode pest in the chrysanthamum crop. This requires detecting the initial symptoms at an early stage with, cuttings from the top of the long vigorous shoots alone should be taken for propogation, mulching the surface with pest moss and treating the soil with carboforous granules. A fourth group of research report results is of use to cattle farmers. The National Dairy Research Institute, Karnal reports on its studies to control and prevent mycotoxins in livestock. The toxins enter through animal food materials, usually low grade cereals, oil seeds and oil. In this case the toxin carrying foods can be ground nut, mural and other such meals, calling for sound agricultural practices and post harvest practices. The Vizianagaram department of animal husbandry reports on measures to control urea poisoning in cattle namely by maintaining clean cattle sheds, keeping the cattle away from urea solutions and oral administration of a weak acid like vinegar. The Veterinary college of research, Namakkal, reports on its work on Brucellosis, a serious disease in goats caused by infection through a variety of routes including the vagina, alimentary tract, and conjunctive, skin and inhalation. To control the disease which can also infect humans involves seriological identification, elimination of reactors, injection of live attenuated vaccines and monitoring or sanitary measures.

Fisheries

Satellite data is being put to use to locate fish in the sea along the states of Tamil Nadu, AP, Karnataka, Kerala, Orissa, Gujarat and West Bengal. NRS programmes maps based on the satellite data feeds them through fax to a number of fisherman agencies or cooperatives. In Tamil Nadu, work has been on the fish phase of Rs. 7 crores agricultural estate programmes to be

set up by the state government at Tharaivakulum in Chidambaram district. This will boost fish production by small entrepreneurs. The new initiative in prawn farming will develop 90 hectares of water spread area in 3 phases, with the final phase of 56 hectares costing Rs. 4.3 crores. The government has drawn up another Rs. 7 crore project for 1000 Ramanathapuram fisherman to take up prawn farming, adopting modern methods. A majority of the 9000 ponds in the area will develop fresh water fish. This year 10 model fishing villages are being set up with marketing facilities.

Tea

There is general agreement on the decline in production in 1992 by the tea industry, tea board and the annual report of Thomas & Co. The tea industry estimates that the output will decline to 710 million kg down from its initial forecast of 730 million kg and in contrast to the Tea Board's projected 760 million. In 1991, the output was 741.70 million kg and exports Rs. 1100 crores inspite of lower level shipped. The first quarter of this year, the decline will be 14 million kgs, the link being the decline in South India. By official estimates, the tea production between January and May 1992 is 151.8 million kg down by 30 million kg compared to that period in 1991. The other 2 major tea producing countries, Sri Lanka and Kenya also report a fall in their output, 34 million kg short fall for Sri Lanka and 11 million kg for Kenya. So world supply is likely to fall and price further harden. In India the major decline of 24 million kg-is in the South, where tea gardeners are facing a serious drought, in the North the shortfall is 6 million kg which can be made up during the 7 months remaining. The bulk of the fall is in the orthodox variety from 76 million kg to 56.2 million kg, with little hope of making up this gap. The major problem faced by the Indian Tea is the loss of the Soviet market. Whether the successor states will make up this fall in demand remains to be seen. Against the estimated production of 730 million kg as a maximum, domestic consumption at 540 million kg, exports will be the lowest in the 20 years at 190 million kg. The tea industry calls the attention of the government to the problem it faces in insuring the tea crop under the present comprehensive insurance policy. The industry wants the option of a separate transit insurance for all sectors of tea products-covering transportation, which the comprehensive insurance policy does not cover. The other side of this issue is that green leaves taken by motorised transport does not deteriorate or suffer damage, factories, with their sophisticated modern equipment do not face deterioration of tea, factory storages at a minimum so the tea growers feels that he is paying for insurance cover which he does not need. The government should look into and resolve this issue. In regard to *coffee* production, two developments in 1992-93 need attention. The delayed blossom shower is likely to reduce the 1992-93 crop to 161,500 tonnes against the 240,000 tonnes in 1991-92. The Coffee Board has fixed an export target of 120,000 tonnes in 1991-92 compared to 110,922 tonnes worth Rs. 346.93 crores in 1991-92. This was lower than that of year's target of Rs.400 crores, the short fall being due to the reduction in exports to Czechoslavakia following devaluation of its currency, delay to conclusion of the contract with Russia plus the sharp fall in world prices. In 1992-93 the

attainment of the target will depend on whether CIS markets can replace the Soviet demand for 20,000 tonnes. The other development is that since the April 1992 meeting of ICO, it looks as if the quotas will be revived because both producers and consumers want it. The major producer Brazil and Colombia are facing reduced production and with world coffee price at their lowest, they have dropped their opposition to quotas. The major consumer, the US, has begun to realise that coffee production and coffee prices should rise and be supported more as means of countering the drug trade. On its part, India has demanded the allocation of a quota of not less than 90 per cent of exportable production of each producing country. Till a new agreement is reached, India will have to accept low world prices. Any new agreement which raises prices will also result in the consuming countries having a major say in the quality of the coffee that they import compared to the past The producers also are wary of fixing an international price at a low base as current prices are low, they want short term agreements which can be reviewed from time to time. With major producers like Colombia and Brazil having already launched campaigns to reduce their production, they may prefer to wait until the price gap between the price range of the ICO negotiation and that of the open market will not be too large. Thus there are many imponderables for coffee in both the short and medium term through which the Indian producers have to live.

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III. Industrial Development in Tamil Nadu

In July reports on industries and industrial development in the state had the usual positive and negative features.

On the positive side, *first Ponni Sugars and Chemicals* announced the setting up of 2500 tonnes per day sugar plant in Belangir, Orissa. It will be recalled that the absence of this kind of outward movement of Tamil Nadu industries was noted with regret (See Vol. XXII pp23 & 140). Also Pondicherry wants TN industries to set up industries in that state. *Second,* the newly formed Tamil Nadu Corporation for Industrial Infrastructure Development (*TANCID*) has offered to act as the nodal agency in bridging the gap in infrastructure development in the Manali belt. The chemical and petro chemical units in Manali have been asked by it to draft a work plan to tackle their problems on which TANCID will act as a coordinator between the various agencies and government. The first action programme is well on. *Third,* the growth centers sponsored by the union government in Tirunelveli, Kattaboman and Periyar districts are having the infrastructure development with the help of TANCID. The growth centre in Thanjavur district is delayed because the original location, Mayiladuthurai Poompuhar, has land acquisition problems and so a new location is being chosen with the help of the district administration. *Fourth, SPIC* announces that its turnover in 1991-92 is Rs. 1033.19 crores which would have been even higher if govern-

ment subsidies had been paid. SPIC now enters the major industrial units group of the country. *Fifth, South India Shipping Corporation (SISCO) and the Essan group* are launching an ambitious plan to diversify into shipping related activities such as setting up private berths, bulk cargo handling. *Sixth, Sanuha Shoes* is setting up in Shollinganallur a Rs. 25 crore 100 per cent export oriented unit to manufacture leather garments and shoes. It is collaborating on this project with Pan Jupiter Trading of Japan and Remona Nisa of Indonesia. *Seventh, the Tamil Nadu based Measurement Technology Limited* will produce the 3000 series intrinsic safety isolators which are to provide safety to petro chemical and instrumentation and control. The technology is energy saving and is used to provide safety to hazardous environment. It has commenced operations by manufacturing 200 series intrinsic safety barrier. *Eighth, MRF* has both positive and negative features to report. On the positive side it has emerged as the leading tyre producer in the country and an important international tyre producer in the world. *Ninth,* TIDCO jointly with CII announces that the *Madras Singapore Industrial and Trade Corridor* under consideration for the past 3 years is taking shape with the industries supporting it and the India Singapore governments supporting its location in Tamil Nadu. The established infrastructure in Madras and the proximity to the port and airport have been underlined as favourable factors. In place of Madras EPZ which has only 40 to 50 acres for the project, the Singapore government wants a much larger area of 1000 hectare. The Tamil Nadu government has identified 800 hectares for this purpose. *Tenth,* the government has announced that in collaboration with Japan, *Seven new industrial centres* are being set up in Tamil Nadu at a cost of Rs. 70 crores. The centres would produce electronic and leather goods, garments and automobile spare parts. With the help of ADB, it is proposed to start industrial development centres at Panangudi, Perunthurai and Bargur. *Eleventh, the TVS group* announces that it is entering the export market on electrical and auto parts for the American and Italian manufacturers. This will in part compensate for the recession which has hit the industry which is referred to under negative features section. *Twelth,* the promoters of *Binny* have upgraded their contribution in the Bhuvanagiri project to the required Rs. 53.33 crores, IDBI will make its loan and clear the project. *Thirteenth, Arun Processors Ltd* is setting up a Rs. 20 crore 100 per cent export oriented plant in Periyar district to manufacture knitted fabrics. *Fourteenth,* Tamil Nadu Industrial Explosives reports that the plant will be able reach its turnover target of Rs. 35 crores for 1992-93. It will be providing 12000 tonnes of explosives with a capacity of 15,000 and 3000 tonnes of slurry. *Finally, TIDCO* is disinvesting 80 per cent of its holding, which will turn it into a joint sector project.

On the negative side, *first the sugar industry* reports the accumulation of surplus quantities of molasses resulting from the 1991-92 molasses production of 6.98 lakh tonnes and the opening stock of 2.57 lakh tonnes resulting in a total availability of 8.61 lakh tonnes. After use by the distilleries and exports there is still left a 3.20 lakh tonnes which the union government should allow to be exported. *Second,* TIDCO announces that it is withdrawing from the promoters agreement with *Sterling Computers Ltd.* (SCI) for developing the Rs. 120 crores nitro chemical project, as SCI, has backed out of the project leaving TIDCO to carry the baby. There is a technical problem

raised by SCI, that the project machinery is not capable of dealing with ammonia nitrate. There is also the TIDCO problem of finding a promoter withont getting involved in Swiss collaboration for which a technical knowhow fee of Rs. 50 lakh is being paid. The plant will have a capacity of 1000+PB and incorporate the state of the art technology. *Third, the state match industry* faces a serious crisis due to the intense rivalry between small scale units and cottage units in the industry. The units have accumulated Rs. 10 to 20 crores of stocks and their distress selling by all units by slashing the rate by 15 to 20 per cent, which also results in their not being able to pay wages to the workers or dues to the raw material suppliers. On top the dealers are not lifting stocks, as they are expecting the government to make some duty reductions. *Fourth,* the Comptroller and Auditor General in his report to Parliament poses the cumulative loss suffered by the *Salem Steel Plant* at Rs. 25.38 crores which he attributes to the delay in the sanction and establishment of the second sendzimir - (cold rolling) mill, leading to under utilization of the other facilities created in stage I of the project. The report also points to certain provisions in the Plan such as the coal inspection and dividing line as being unnecessary and wasteful of resources. *Fifth, TIDCO* earlier referred to is slowing down on its approved programme of disinvestment. One reason for this is the current uncertainty in the capital market following the stock scam but there are other factors. Its disinvestment of its 9 per cent holding from SPIC did not realise proper value, its disinvestment of the 100 per cent state owned TANCEM has been stalled by the opposition of the workers who have obtained a stay order of the court, its proposal to disinvest of its 100 per cent holding in Tamil Nadu explosives has not been met with success and is still held up. *Sixth,* as referenced earlier, *MRF* has been charged with indulging in restricted trade practices and undue profiteering by the MRTP commission. This is one of the few cases tnat the commission is taking up (after its reorganisation) charging MRF with "maintaining prices at an unreasonable level, and limiting and reducing production, supply or distribution". *Seventh,* as reported in the last 12 issues of the Bulletin, the government's decision to canalise *the granite trade* continues to lead to protest and unrest in the industry. The canalisation, according to the government, is aimed at conserving this non renewable resource and save it from cut throat competition. Also a clear export price has been levied which is likely to lead to litigation. The issue is serious as granite exports bring in considerable foreign exchange and Tamil Nadu with the best granite in the country will be losing heavily under this policy which seems to have been decided upon in a hurry without consulting the union government which in a statement last month has announced its criteria of deregulating minerals now regulated for the public sector. *Eighth,* the entire *automobile ancillary industry* in the small sector in the state, including well established manufacturers like TVS, as refered to earlier is faced with a severe recession, as a result of falling automobile sales, the passenger car, I.C.V, HCV and 2 wheelers. The worst hit are the 50 skilled parts manufacturers based in the Ambattur industrial estate. Lucas TVS, Ashok Leyland, TELCO are all cutting back orders as a result. *Ninth,* the absence of the single window clearing facility is holding up the start of many industries. The single window in neighbouring Karnataka is functioning and the Karnataka government was able to establish 17 companies invest-

ing Rs. 141 crores. These includ ed the Ranauq singh group, the Amritanjan group and subsidiaries of Unilever and Hindustan Lever.

Thus in July the negative features of the state's industrialisation was more evenly balanced with the recession hitting all industries large, medium and small and particularly in the automobile industry leading to cutting off the second shifts, laying off casual labourers and even reducing wages, the granite policy mess and pauses in disinvestment holding industrial development back.

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IV. Education, Science and Health

Educational reforms

The taskforce of CABE set up by its chairman on the revision of the Programme of Action have completed their work. The consolidated report of the task force is being considered by CABE at a meeting on August 8. On the basis of its decision, the Programme of Action is to be submitted to Parliament. At the higher education level, under the guidance and encouragement of UGC, three major reforms are being contemplated. First, in order to bring about improved quality and a minimum uniformity as between universities the UGC is introducing validation tests at the undergraduate and post graduate levels from 1993-94. The admission to the post graduate course will be entirely based on the performance in the tests plus an interview in each case. This involves a lot of work to create the infrastructure in each state and university, starting with choosing the university in each state to be the nodal agency on organising the validation test. Second, there is to be a fresh approach to examination reform. A check and balance mechanism is to be set up to scrutinise the syllabi and question paper of different universities with the help of experts. Some years back (over 12 years ago) the UGC had asked all universities in the country to plan and implement what is called minimum examination reform programme as a redesign of syllabi and question papers. Now those which have not done this are required to take steps in this regard. The Academic Staff College attached to the universities have been asked by the UGC to organise workshops in collaboration with the examination reform units of universities for orienting teacherson examination reform, because the success of the programme, as all reform programmes, depends on the understanding and cooperation of the teachers. Third and related, the UGC has asked all the university departments and autonomous colleges to introduce such reforms as the development of question banks, methods for continuous internal evaluation, the grading system from the academic year 1993-94. This will also apply to the post graduate courses, affiliated colleges and will be extended to the undergraduate stage from 1995-96. Now that the UCG has taken responsibility for the reform, and with its financial power it should become

effective. At the school level the state government has started the first school of excellence in Dharmapuri starting from class VI. Each district is to have such a school, (patterned on the Navodhya Vidyalaya).

Adult education

The government called the attention of Parliament to the census data on adult literacy which touched 32.11 per cent in 1991 as the rate, a 8.55 per cent rise over the 1981 census. Female literacy increased from 29.75 per cent in 1981 to 39.42 per cent in 1991 - an increase of 9.67 per cent during the decade. The adult literacy programme is developing in full force in the country under the impetus of the Total Literacy Programme in each district and the campaign of BGVS. In Tamil Nadu 8 districts are undertaking the Total Literacy Programme. Pudukottai will be declared a fully literate district in early August followed by Pasumpon Muthuramalingam.

Technical education

A Canada-India cooperation project to upgrade 12 polytechnics in Tamil Nadu, Kerala and Karnataka is under way and will be extended in time to other states. One rather regretful development is the hike in capitation fees collected by privately run engineering and medical colleges. The capitation fee charged in the self financing medical college at Rs. 7-9 lakhs per seat, part of it being paid in accounted money and part of it in unaccounted money. In the 36 self financing engineering colleges in the state the capitation fee is Rs. 1 lakh. In view of the good CBSE and state Board High schools results in the +2 examination, there is a rush for admission to these colleges. The Supreme Court has declared capitation fee collection contrary to the equality provision of the constitution. But as long as we have an unequal society, the ability to pay capitation fees by students from well to do families mainly reflects this fact. As the capitation fee is paid by some of the well to do, there is no objection to it provided it is used for development of the college, its buildings, equipment, library and staff and not pocketed by the management. This could be one means of reducing the heavy government subsidy of technical education. In AP at the end of July, the government permitted 12 new private medical colleges with a student in take of 1200. The managements can fill 50 per cent of seats by acceptanace of donations, which is another form of capitation fees. The government also sanctioned 8 private dental colleges with an intake of 40 students in each college. The opposition to this came from medical students and medical practitioners who fear that their earnings will decrease. Again provided colleges conform to the Indian Medical Council norms, there should be no objection to increase in the number of doctors as that will help some of the people better (India has one of the lower doctor people ratio among the industrial and newly industrial countries) and help to bring down medical fees and charges. A Rs. 15 crore software development education and training centre is being set in Trivandrum by an NRI who is also chairman, International Management Resources in the US. To help enhance power generation, BHEL has a customers training programme under the Human Resources Development centre in its manufacturing units in Bhopal, Tiruchi, Hyderabad, Hardwar and Mangalore. It has so far trained over 2000 engineers and technicians from all over the country.

Science

In science, the major event was the launching of the space craft, INSAT-2A on July 10, with the French launch vehicle Ariane carrying it. All arrangements worked well and to specification. On July 28 it reached its appointed slot and is now orbitting the earth. The 6 extended (-band transponders on board INSAT-2C are working satisfactorily. The 12 normal C-band transponders have been switched out performing well. INSAT-2C thus makes available a continuing satellite service - for remote sensing, mapping resources, for telecommunication and telemetry and for radio and television purposes.

Health

Using the World Population Day, July 11 - government, medical personnel, voluntary agencies and social activists joined in a campaign for population control by taking the population awareness and family limitation programme to the rural areas and the streets in the towns. The key role of women - their age of marriage, their education and level of literacy, their employment opportunities are to be particularly developed as thrust areas in the coming year. Madras city reports that maternal cases in the first six months of 1992 have increased to 28,030 from 20,233 in January - June 1991. This increase is despite the 6 per cent reduction in malaria caused by the plasmodium parasites. The Corporation attributes the rise to improved and increased surveillance. There are some 7 pockets in the city which keep increasing malarial transmission and need special anti malarial treatment.

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V. Employment and Labour Relations

The employment estimates in VIII Plan- 8 millions in the first 2 years, 9 million in the last 7 years and 10 million after the Plan-are based on the assumptions of employment elasticity of 0.50 for agriculture, 0.88 for manufacturing and 0.70 for the services. But compared to the actuals in 1983 to 1987-88 which were 0.36 for agriculture, 0.26 for manufacture and 0.42 for services-overall 0.31 against the VIII Plan target of 0.47, the employment estimates may be somewhat optimistic. The employment elasticity is unlikely to, improve at the rate forecast. The government reports that it has finalised the much awaited golden handshake scheme for public sector units which will cost Rs. 700 crores. About 4.5 lakh of the 23 lakhs in central, public sector undertaking are found to be redundant including 3 lakh surplus manpower identified in 67 public sector enterprises. The budget provides Rs. 400 crores for the golden handshake scheme. Now the government should negotiate with the trade unions and begin to operate the quite viable scheme. A Planning Commission study of JRY-the main employment generating scheme in the rural areas shows that it has been able to provide work on an average of only 16 days in a year - the gram panchayats provided work for 11.44

days for an unemployed person in 1989-90 and 15.68 days in 1990-91. More than 50 per cent of JRY funds are being used only during last quarter of the year when major works are taken-up. Hence it is not surprising that no adequate attention is given to maintainence of assets. The study finds 56 per cent of the assets not upto the mark, but 80 per cent of beneficiaries said they found the assets useful. That the proportion of man days of employment of SC&ST to the total mandays of generated employment being 50 per cent was an encouraging finding. The continuous monitoring and periodic evaluation should concentrate on the weakness of the programn

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VI. Other Items

AIR autobiography

AIR has initiated an unusual programme of asking selected persons to record their life history not for broadcasting but for a historical and archival record. This is a strenous programme involving 4 hours on 4 days of preparatory recounting of the life history in the presence of a questionnaire followed by recording the details of the life work on a life style from the beginning, the birth to the present day. It will be interesting to future generations to wade through these archival memoirs of the persons selected for the purpose.

NABARD

The National Bank for Agriculture and Rural Development celebrated its first decade in July 1992 with a symposium on the economy and the role of the Bank. There was a brief press note on the 10 year achievement of the Bank, the most important being its innovative scheme which combined agricultural development and ecological preservation, what is now, after RIO conference, called Sustainable Development. The occasion was used to elaborate on this concept of sustainable development and review the role of the banks in that scheme. The only short coming facing NABARD is the limitation of its resources for the needs of agriculture and rural development which are really endless.

Economy and its review

In July there were a series of interviews and discussions with journalists and newspapers - Opus, Aside, Economic Times, Deccan Herald on the economy with particular reference to the programme of macro economic reforms and structural adjustment. There was first the need to define the 2 terms, the second of which structural adjustment, has never been clearly defined. It was a term coined by the World Bank when helping Mexico with its economy and massive indebteness. It is now settling down to means of giving more space in the economy to the free play of market forces and for contracting the area of government intervention. The need to keep in mind the Indian economy and it special feature of massive poverty was stressed in these reviews.

SRC and TNBCE

There was the two month meeting of the State Resource Centre governing body, when the main business was to review the servicing by the centres of the Total Literacy Programme in the 8 districts and the preparation for its extension to 5 more districts in the following year. The work of the cadre was being evaluated by the chairman who is also head of the university department of Adult and Continuing Education. The Executive Committee of the Tamil Nadu Board of Continuing Education also met at which the work of the 2 literacy projects of the Madras district literacy association and the funds of over Rs. 15 lakhs for their continuation was reviewed· The problem of the regional representatives were reviewed and a new general secretary of the Board was nominated.

IIC

In the India International Centre in July there were two events organised by its Economic Affairs Group. One was the panel discussion on Manpower Planning and Employment. The main point made in the panel was that the techniques of man power planning have remained fairely constant over the 7 plans. The problem of unemployment and underemployment have remained at what was called a low level of 2-3 per cent compared to the 7-8 per cent of the developed countries. But this two percentage covers several millions in a country with a workforce of 400 million. There was on the following day a seminar on India's Population: Beyond Contraceptive Technology. There was agreement that India's population growth must and can be controlled that our past heavy reliance on contraceptives for this purpose has proved a failure : and so there was agreement that the emphasis of population control must shift to developing peoples' awareness, of improving the state and status of women, with special reference to female education and literacy, age of marriage, spacing and cycle of child birth, in all of which the man as well as the woman will be fully involved.

August Development Seminar

"Problems and Prospects of Entrepreneurship Development", the paper for the August seminar by M. G. Balasubramanian together with the summary of the discussion of the paper at the seminar appears as the first article.

Second Article

A note on Industrial Employment appears as the Second Article.

M I D S News

Dr. A. Vaidyanathan attended Governing Council meeting of Centre for Development Studies, Trivandrum, on 10th August, 1992.

He also gave six Lectures on Agriculture to the UGC Refresher Course for College teachers, Gokhale Institute of Politics and Economics, Pune, from 4th to 6th September, 1992.

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Mr. S. Guhan gave two talks on issues relating to the Ramachandra Medical College on 26th and 27th August. Delivered Fr. Tong Memorial Oration at the Voluntary Health Association of India, New Delhi on 4th September.

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Dr. Nasir Tyabji was invited to speak on "Foreign Collaborations and Technological Absorption in the 1980s" at the Nehru Memorial Museum and Library, on September 8, 1992. On September 9, he spoke on the theme of "Industrial Development in Madras Presidency" at the National Institute of Science, Technology and Development Studies, New Delhi.

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Dr. P. Radhakrishnan attended a consultation on Religious Fundamentalism held at the Ecumenical Christian Centre, Bangalore, from Sep. 1 to 4. and was a discussant for a presentation on Hinduism.

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Mr. S. Subramanian presented a paper titled "Reckoning Discrimination in the Measurement of Poverty" at the Tenth World Congress of the International Economic Association held at Moscow between 24th and 28th of August, 1992.

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Dr. S. Janakarajan presented a Paper in a workshop on *"Commodity, Exchange and Food Systems in Developing Countries"* jointly organised by the Manchester School of Economics, England and CIRAD, France held at Montpellies, France, during 31st August - 4th September, 1992.

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Dr. T. R. Balakrishnan, Professor of Sociology, University of Western Contorio, Canada presented a seminar at MIDS on "Third World Immigration to Canada" on 3rd September, 1992.

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Problems and Prospects of Entrepreneurship

by

M. G. Balasubramanian

Chairman, EIAMS Pvt. Ltd., Madras.

1. At the outset, one should be clear about what we mean by the words "entrepreneur" and "entrepreneurship". Contrary to popular belief, "entrepreneur" is not derived from enterprise. It is *actually a French word. It is not known* how this French Word came into vogue in English without an equivalent English Word.

2. An entrepreneur is considered a fifth factor of production in an enterprise, the other four factors being Land, Capital Machinery and Men. Economists, Political Scientists, Sociologists and Social Psychologists have been describing an entrepreneur from the point of view of their subject of speciality.

3. I would like to give a very simple definition for "entrepreneur". An "entrepreneur" is the person who ;

i) identifies his line of activity;

ii) makes investment in the activity; and

iii) manages the economic activity.

Entrepreneurship is basically an ability to identify an investment opportunity, to establish, organise and run an enterprise to contribute to economic growth.

4. To give characteristics of a successful entreprenuer is as easy/or as difficult as in the case of a successful doctor or a lawyer or an administrator ar a politician. In any walk of life, no two persons will conform to a set pattern. A successful small scale entrepreneur may be a professional or a non-professional, may belong to an affluent family or may be of humble origin may be urban-based or rural-rooted. However, studies conducted on entrepreneur show that there are certain characteristics which, if present in an entrepreneur, contribute to his/her success.

5. In the Indian conditions, the three most important characteristics for an entrepreneur to be successful are :

Self-Confidence

Self-Confidence is the foremost quality that an entrepreneur should possess. It should not be confused with a sense of bravado that nothing is impossible to achieve. A born pessimist or a misanthrope may not take the needed risk which any business calls for. A person with self-confidence realises that he is *competent and* has the ability to do the particular task, is aware of the impediments he may have to face and feels that he would not be deterred by such impediments which he is capable of getting over when he faces them.

Money Sense

The next quality of an entrepreneur should possess is a "good money sense". This means that the person should be careful and prudent in spending the borrowed money with such care and diligence as he would his own money. Quite often, it has been found there is a splurge of expenditure on non-productive purposes in the initial stages when a project is sanctioned with the result that when money is really needed here is nothing in the kitty. With the prevailing impression created that the loan from Government or any of its agencies is only a deferred subsidy a borrower spends the borrowed money in a manner that he would not spend his own money. Many entrepreneurs do not keep regular accounts. One study made by SIPCOT revealed that 95% of entrepreneurs had not kept any accounts at all. The result is that they do not know how they have spent the money so far.

Reserve Resources

The third and most important factor is that an entrepreneur must have adequate reserve resources which he should be able to requisition at short notice. It is not uncommon that there is considerable time lag between the date of formulation of a project and the date of its implementation. In the interrugnum, as we are in an era of continually rising prices, cost of plant and machinery go up. This pushes up the project cost. Quite often, projects are formulated on the assumption that entrepreneur would get on the due dates, the incentives and concessions announced by the Government. It has however been the common experience that these incentives/concessions are never received on the promised time and more particularly, the full amount a person is entitled to, does not reach the beneficiary. This is the environment in which we are presently working and no immediate dramatic changes are expected in the near future. When there is a paucity of money with the promoter, the production is affected, interest burden increases, the outside liabilities remain unpaid, the unit begins to limp and finally comes to a grinding halt. It is therefore necessary and prudent that a person should plan the project *without* reckoning the financial concessions / incentives from the Government and have at least 15% of the project cost easily accessible as reserve. This will help the entrepreneur to execute the project with the minimum time lag and also meet the shortfall or working capital requirement, when the bank's assistance fall short of the actual requirement.

6. Coming to the problems faced by entrepreneurs, they are many. They broadly come under six categories with reference to the person/agency that causes the problem.

(a) First is problem created by the entrepreneur himself.

They are:

(i) Deficiency in Project Formulation

e g. a. Wrong location :

b. Faulty selection of product;

c. Sub-optimal plant capacity;

d. Low equity base;

e. Competition from the well-established large scale units in the line not anticipated.

(ii) Deficiency in Project Implementation

e.g. a. Defective machinery;

b. Mis-matching of plant and machinery;

c. Delay in implementation;
d. Over-run in the project cost.

(iii) Deficiency in Project Operation

e.g. a. Defects in Production
b. Inadequate planning of marketing efforts;
c. Poor quality of products;
d. High rate of rejection/rework;
e. Poor costing and accounting;
f. Inadequate working capital;
g. Accumulation of dead stock;
h. Overdue payments from debtors.

(iv) Deficiency in Project Management

e.g. a. Promoter's poor entrepreneurial qualities;
b. Questionable integrity of promoters;
c. Promoters not wholeheartedly committed to the project;
d. Dissension and discord amongst the promoters;
e. Poor man-management, leading rapid turnover, of personnel in particular, technical;
i. Poor industrial relations.

7. In any endeavour it is the ability and quality of a man behind it that determines its success or failure. This is more so in an economic activity whether he be called the promoter, sponsor or entrepreneur occupies the centre stage. Partly the lack of enthusiasm on the part of banks to render assistance to a SSI unit is due to lack of confidence in the ability of the promoter. The reluctance on the part of an assisting bank to assist a rehabilitation programme of a sick unit is, due to an innate distruct in the entrepreneur who has failed to make the grade.

8. It is no reflection on the individual that everyone cannot be an entrepreneur just as everyone cannot be a successful lawyer, or doctor, or politician. It is equally true that everyone cannot also be turned into an entrepreneur. To be a successful entrepreneur, certain positive qualities are required. Equally, certain harmful characteristics contribute to failure. The obvious course is to choose the right persons and give them proper training before they become entrepreneurs.

9. (a) Identification and selection of entrepreneurs is crucial to entrepreneurial development. Such identification and selection should be done on a scientific basis. There should be a screening of the potential entrepreneurs at the district level by a committee, consisting of the General Manager, District Industries Centre, representatives of SIDCO and TIIC and a Senior Manager of the Bank having the largest number of branches in the district. This Committee should meet on a fixed day in a week or fortnight depending upon the circumstances, to screen the potential entrepreneurs. The important characteristics to be borne in mind while assessing the potential entrepreneurs are the following :

(i) Adequate financial background, i.e., ability by himself or with the assistance of friends and relatives, to raise the needed margin money, without taking to account the subsidies ;

(ii) Knowledge, skill and attitude towards business;

(iii) Marketing knowledge and capabilities;

(iv) Practical experience;

(v) *Family background;*

(vi) Determination;

(vii) Self-Confidence;

(viii) Capable of hardwork

(ix) Zeal to be self-employed not as a simple alternative to self-employment;

(x) Integrity and honesty.

(b) There should be a written test to evaluate the above qualities and marks assigned on the following basis:

		Marks
(i)	Knowledge, skill and attitude towards business	25
(ii)	Past experience	20
(iii)	Efforts so far made towards starting an enterprise	20
(iv)	Psychological:	
	a. Need for achievement	5
	b. Risk taking	5
	c. Personal efficiency	5
(v)	Educational background	10
(vi)	Family background	5
(vii)	Social participation and leadership skill	5
	Total :	100

(c) There should be a personal interview to test the following characteristics, for each of which maximum mark suggested is:

		Marks
i)	Physique and general personality	5
ii)	Present activities	5
iii)	Zeal for self-employment	5
iv)	Knowledge of proposed enterprise	5
v)	Immediate possibilities of starting the enterprise	5
vi)	Logic or rationality	5
vii)	Financial support he can muster	10
viii)	Reaction in case of a failure	10
	Total	50

10. (a) The candidates who have passed the screening test should be given a training programme. Entrepreneurial Development Programme (EDPs) is essentially intended to give an exposure to a prospective entrepreneur on the several aspects of establishing, organising and running an enterprise to achieve adequate returns. This knowledge helps to build up a certain degree of confidence in the individual who will be entering a new and hitherto unfamiliar area. The need for entrepreneurial Development in our country was felt in early 1950.

An EDP should broadly cover the following:

i) Choice of location of the Unit;

ii) Product Selection;

iii) Choice of process and machinery;

iv) Funding of the project;

v) Matters connected with the registration and establishment on the project with particular reference to rules and regulations to be compiled with and the clearances to be obtained from several ogencies; and

vi) Marketing of the product. Gathering of marketing intelligence and evolving marketing strategy for the product selected, taking into account the market competition.

(b) Here are, a few suggestions on the manner of conducting EDPs.

(i) In order to motivate the trainees, a very exaggerated picture of self-employment opportunities is given during EDP. This is certainly not "motivation" in my view. An entrepreneur gets a jolt when he finds that the realities are nowhere what he was told during the EDP. The result is that the entrepreneur feels that he had been misled by glib sales talk during EDP. EDP should give only a balanced picture of both the difficulties and pleasures of becoming self-employment based on his own assessment.

(ii) when Officers from the Factories Inspectorate, Commercial Taxes, Central Excise address the EDP trainees, their general approach is to stress more on the penal provisions of the respective enactments with which they are concerned, than on the beneficial aspects of the enactments. The stress on penal provisions make an adverse impact on the trainees. Quite a few, of the EDP trainees even ask if becoming an entrepreneur means facing prosecution under several laws, we would rather not be entrepreneurs. The suggestion therefore is that in the EDP programme, only reference to the existence of these enactments and salient features be brought out in the background notes.

(iii) Another aspect requiring special reference is that even though Marketing is very important, marketing content in a EDP, in general, leaves much to be desired. For example, the type of entrepreneur that will be attending EDPs will be mostly from the tiny sector. Very, very rarely such persons will be in export. The time spent in dealing with export markets in EDP is of no use to such trainees. Neither their products, nor their production quantum nor the quality of their products could come anywhere near the export market. Again, there is no point in telling them that the information on the market for the products will be available with the concerned Departments of Government, who, when addressed will give the particulars. To our knowedge no Government Department has any ready information on market or products of tiny sector and much less a Government Department would commit itself in writing when somebody asks for particulars.

(iv) During EDP, the trainees should be provided an opportunity to conduct a market survey of a few select, common products like plastic buckets, bakery items, cement pipes, plastic ware, leather products, readymade garments, washing soap, food items and submit a Market Survey Report.

(v) The contents and duration of a training programme should be structured differently with reference to the type of economic activity and the educational level of the entrepreneur. The objective of EDPs for lower-middle class or rural (landlesss) poor is only for self-employment. The entire unit depends on the skill of the entrepreneur and is not expected to create a "business enterprise" to provide wage employment for others. EDPs for such target groups should be aimed at training them to start a cottage or a house hold industry or tiny service oriented business which can keep the trained persons fully employed and generate income sufficient for the survival of their families. The income from such "enterprise" in most causes, is insufficient to provide surplus and sustained growth. It is not therefore likely to generate wage-employment opportunities for others.

(vi) There is considerable difference in degree between the sort of entrepreneurship required for starting a tiny household

Cottage Industry and managing a small manufacturing unit. This differentiation is of great consequence in designing the *training programme for rural poor.*

(vii) The same EDP for both Engineering activity and food products will be *incongruous. Where the competition* in a production from large units is there, the trainining content should lay more stress on quality, cost reduction, timely delivery. In case of other consumable products the stress should be on packaging, creating more market outlets, optimising credit sales etc.

(viii) The written material given should be in *basic* English and should not use expressions which are bombastic and unfamiliar.

11. (a) The contents and duration of EDPs should vary with refetence to the educational skill level of the trainees and the investmest on the economic activity. Accordingly, three broad categorisation of EDP is suggested:

(b) (i) **Category 1**

The first category will be for those who intend promoting cottage/household industry and tiny service oriented industries. In these activities, the use of plant & machinery is practically Nil. The entire activity depends upon the skill of the promoter. A brief outline of EDP will be as follows:

(ii) The duration of the training programme need not be more than 5 days of six hours each. In all 30 hrs. The language used during the lecture session should be simple and in "manipravalam".

(iii) Level of education of the target group not being very high, the contents of the training programme should match *the absorption capacity of the trainees.* The written material should be to the absolute minimum. The basics should *be explained through suitable business* games and group exercises.

(iv) The course content should be on the following lines:

I. About the Project:

1. Demand for the product within a radius of 25 kms.
2. Local competition for the product.
3. Raw Material:- Availability - Seasonal & non-seasonal
   - Price variation range during seasonal and non-seasonal.
   - Consistency in quality.

II. Marketing:

1. Determining the selling price of the product.
2. Marketing of the product.
3. Credit sales vs. Cash sales.

III. Finance & Accounting:

1. Basic records for keeping track of income and expenditure.
2. Avoidance of material waste.

(v) There is no need to cover the following subjects for the trainees:

Lectures on "entrepreneur", "entrepreneurship",

"achievement motivation" "labour laws",

"Customs", "Central Excise", "Income-Tax",

"Factory Legislation", "Pollution Control".

(c) **Category 2 :**

(i) The second category of EDP is for persons establishing industries in the tiny sector.

The duration of the training course will be for 2 weeks, i.e. 60 hrs. The language of the lectures should be simple ones and written notes should be kept down to the minimum.

(ii) Theoretical inputs on "entrepreneur", "entrepreneurship", "achievement motivation", "labour laws", should be kept to the minimum. There is no need to cover customs and central excise in the syllabus.

(iii) The details of the Course Contents for Category 2 will be as under:

Topics to be covered in the EDP.

I. About the permissions and licences needed;

II. Determining the annual capacity;

III. Choice of plant & machinery.

IV. *Relating to the Product :*

1. About Raw Materials:
   - Availability - Seasonal/non-seasonal
   - Price variation, during seasonal / non-seasonal;
   - Consistency in quality.
2. Competition in the field;
3. Identifying the demand units/ 'centres'/areas;
4. Shelf life of the product.

V. *Production Area*:

1. Machine cleaning & maintenance.
2. Concept of depreciation;
3. Power consumption;
4. Avoidance of material waste;
5. Minimising work-in-progress;
6. Concept of rework and rejection and their avoidance.

VI *Marketing* :

1. Determining the selling price of the product.
2. Packaging of the product.
3. Marketing arrangement for the product.
4. Credit Sales vs. Cash Sales.

VII. *Finance and Accounting* :

1. Funding of the project;
2. Need to honour financial commitments;
3. Basic book-keeping.

(a) Category 3

(i) The third category will be for those whose investment on plant & machinery will be more than Rs. 5 lakhs.

Candidates should at least have completed XII standard and above.

Duration should be 6 weeks.

The number of trainees for the EDP should be restricted to 25.

(ii) In the first stage, a selection committee will select fifty candidates who have the potential to become entrepreneurs as evidenced by their zeal, project ideas, educational background and financial support they are capable of mustering.

(iii) All the fifty candidates, will have a two day session on entrepreneurship followed by five days exposure to Achievement Motivation.

(iv) In the first week, information input can be provided followed by Opportunity Guidance (OG) input together with OG councelling. Thereafter, the participants can be asked to go out for collecting market data for the product they have selected.

(v) Achievement Motivation Training (AMT) will be conducted after the participants have finalised/conceived the project as such a sequence will help them to finalise their goal after interacting with the external environment. During AMT they can interact with self to find out their own strengths and weaknesses and co-relate the same with the goal that they have set up.

(vi) There will be an interval of two weeks during which period the candidates will do the preliminary market survey of the contemplated project. The project ideas will be firmed up so that the potential entrepreneur has a clear idea of the proposed product. During this period the prospective entrepreneur will be provided with counselling support by the organisation conducting the EDP.

(vii) The fifty candidates will be interviewed by the Selection Committee again to select twenty five out of them, based on their readiness to launch the projects.

(viii) The twenty-five selected candidates will now be given three weeks of training on the various facets of running a self-employment venture covering the following topics :

— Procedures for setting up of SSIs will include Registration of SSIs and all licences, permissions and clearances to be obtained from the various authorities, including power connection and pollution control);

— Production Planning, Production Management, Production Control (will include Productivity and Quality Control);

— Basic records to be maintained for Planning and Control;

— Financial Management (Working Capital Assessment, Cash Management, Inventory Control, Pricing of the Product);

— Basic records to be maintained for accounting purposes;

— Statutory enactments applicable to SSIs (Labour laws, Sales-Tax Act Central Excise Act);

— Product Marketing;

— Field Work, Actual Market Survey of a few selected products by trainees, divided into convenient groups;

— Factory visits;

— Project Report preparation;

— A working session with a group of existing women entrepreneurs.

(ix) The last week will be spent by each of the candidate in finalising (i) the market survey of the project already selected by her and (ii) the project report.

(x) An ideal EDP is one in which the group to be trained is cohesive one in respect of age, educational qualification and industry to be chosen. This may be possible to certain segments in respect of Category 3. As a matter of fact, SISI, Madras, has conducted a number of industry-wise EDPs on Food Products Plastics, Engineering, Electronics. However, in respect of Category 1 and Category 2 to get such a cohesive group of 20-25 may not be practicable.

12. The next in order is the problems raised by the assisting bank.

(a) Some of the criticisms may be exaggerated. Many time an entrepreneur to cover up his own in-efficiency or mis-application of funds or his inability to bring in margin money, puts the blame on the bank. A very common and uniform complaint heard from SSI entrepreneurs is inadequacy of bank assistance. Quite often, the entrepreneur

expects the bank to go on funding him even as the finished stocks keep on mounting, in the hope that he will Find a market for his products. All the same, a public organisation cannot brush aside that all criticisms against it are exaggerated and therefore without foundation.

(b) The common complaints against banks are:

(i) At the time of starting a new unit, the working capital sanctioned is less than the optimum. The bank manager tells the entrepreneur to commence his production with what he has been sanctioned. With a promise that the working capital would be increased later. The promised increase rarely materialises. With inadequate working capital the unit begins to limp and eventually closes down the shutters before long. The working capital could be assessed to the optimum extend and cleared, with the actual limits being released as per the performance of the unit. This is rarely done.

(ii) The price of raw material gets increased due to Governmental action or the public sector which has the sole monopoly of the raw material, pushing up the price. Quite often the banker refuses to increase the working capital limits to meet the increase in the raw material price.

(c) There should be an internal mechanism in each bank to redress the grievances of the SSI borrowers. A feeling amongst the SSI borrowers that the enlightened segment of bank officers treat them as second class citizens and the less enlightened treat the borrowers as a lower form of humanity has to be removed. The borrower feels that by paying interests, he is paying for the services of the bank because part of the interest is to meet bank's expenses. He therefore feels that he is entitled to have his grievance properly looked into. The present adverse relationship between the borrower and his banker has to be erased. It is sad indeed that the banking system which contains a good part of the best products from our universities should have acquired such a reputation from the SSI entrepreneurs

(d) I will now give my recommendations on the grievance procedure. The Central Government has attached so much importance for the redressal of grievances in Government Departments that they have created a separate Department of Grievances, whose administrative head is in the rank of a Secretary to Government of India. In defence of the extent procedure, it is argued that the banking system being a sensitive one, a grievance procedure as elsewhere is not possible. It has to be made possible, as otherwise the grievance will grow to such an extent that it will reach an explosive stage. Sensitive nature of the industry cannot be an excuse not to listen to the grievance of the customers. The other reason given is that the Senior Officer of the bank have a clients' meet which is a forum provided to the borrowers to air their grievances. A meeting with a large number of persons is not a suitable forum for redressing individual grievances. Further, a borrower would not like to voice his individual grievance which will necessarily involve to criticising the decision of the manager who is also present, in an open forum, attended by many. Despite his grievance. he has his loyalty to his manager.

(e) (i) I will define a 'Grievance' means a claim or ascertain by a borrower/customer that he has sustained injustice or undue hardship in consequence of maladministration.

(ii) 'Maladministration' means a decision taken or not taken, on a representation made by a borrower/customer by a bank officer in the exercise of powers vested in him, when such a decision or non-decision has in the opinion of the borrower/customer has adversely affected his interest or when the procedure or practice is unjust, oppressive or improperly discriminatory or where there has been negligence or undue delay in taking action/decision.

(iii) 'Undue delay' means the time taken beyond the reasonable time required to take a decision/action in the normal course.

(iv) Whenever a client of the bank has a grievance, he should be free to put it in writing to the Manager, without being a marked out man. The Manager, if he can redress the grievance should redress the same within fifteen days of the receipt of the grievance. If it is beyond his powers or if the manager considers that the grievance is one that cannot be redressed, he should submit a report to a higher officer, designated as the Grievance Officer, with his remarks. The Grievance Officer, should convey his decision within fifteen days to the Branch Manager, who will communicate the decision to the client. There should be an attitudinal change on the part of the Manager that he would not bear a grudge against the customer that he had the audacity to question his decision. He should remember that the decision of even of the highest Court is questioned in the Appellate judicial forum. No stigma is attached to the Judge against whose judgement the appeal is filed, even when the appeal succeeds. There is a pronounced tendency in the banking system to support the action of the Manager, irrespective of merit of the case. The Grievance Officer would not be doing a fair thing to himself or to the Manager or to the client or to the bank by blindly supporting every action of the Manager.

13. The third is the assisting financial institution.

In respect of the assisting financial institution, in the absence of very systamatic monitoring of the units the sickness comes to be known to the institution, only at a late stage. An effective monitoring system as described below is necessary to take remedial measures before incipient sickness takes finer root.

Once a loan is drawn, the borrower should submit a monthly report (Form A) till he reaches the Production stage and in (Form B) after commencing commercial production.

FORM A

MONTHLY REPORT BY THE ENTREPRENEUR ON HIS UNIT BEFORE PRODUCTION COMMENCES

Report for the month of ....

1. Name of the Unit :
2. Location of the Factory :
3. Product to be manufactured :
4. Loan amount sanctioned :
5. Date of sanction :
6. Details of plant & machinery :

(i) **Actually installed :**

Description	Price	Suppliers name	Date of supply	when installed
1	2	3	4	5

(ii) **Yet to arrive :**

Description	Price	Suppliers name	Date of supply	when expected to be installed
1	2	3	4	5

7. a) Has power connection been secured?
   b) If not, when expected.
8. Supervisory and skilled staff already in position.
9. Specify the date by which commercial production is expected.
10. Any difficulties faced ?

FORM B

MONTHLY REPORT BY THE ENTREPRENEUR AFTER PRODUCTION HAS COMMENCED

Report for the month of..............................

1. Name of the Unit :
2. Location of the Unit :
3. Product manufactured :
4. Monthly capacity of the Unit :
5. Monthly capacity achieved in the last three months :
6. Electricity dues payment ;
7. Rental/hire purchase instalment for the *building* :
8. Raw materials on hand : Description claiming value
9. Finished stock on hand :
10. Difficulties any faced :

a) The field officers of the Directorate of Industries, TIIC, SIDCO, in the districts should visit a minimum number of units, both new and old and send a report on their quick impression about the unit to the assisting bank and institution. When called for, detailed *investigation will be taken up by the* TIIC or the assisting bank.

b) We would suggest the following proforma for the report on visits :

PART A

Report on surprise visits to SSI Unit

Date :

Time of visit :

1. Name of the Unit :
2. Location of the Unit :
3. Date of establishment :
4. Product manufactured :

PART B

Impressions gained at the time of the visit

1. Was the unit working : Yes/No.

2. i. How many machines were working:

   ii. How many of them were not working :

   iii. No. of employees at the time of visit :

   1. Supervisors
   2. Skilled workers
   3. Others

   iv. How was the shop floor : Tidy/Haphazard/Dirty

   v. Was power available at the time of visit:

   vi. Is water available for the unit:

   vii. Has the unit sufficient raw meterials:

   viii. Is there accumulation of finished work?

   ix. Any special problems faced by the unit during casual talks with employees/promoter?

   x. *General Impression* :

   a) Doing well
   b) Managing to survive
   c) In deep trouble

3. We are of the view that such systematic monitoring will alert the borrower that the assisting institution does not observe a policy of *laissez faire*, by allowing the borrower the freedom to do what he likes with the borrowed funds. It will also give an early warning to the assisting organisation as to the early steps to be taken to safeguard its funds committed in the unit.

14. **Problems created by the State Government:**

(a) The subsidies provided by the State Government do not reach the beneficiary on time.

(b) Whenever the Government formulate a policy in respect of measures to assist the industry in the State, the need of the SSIs also should be considered at the same time and the decisions in regard to the large and SSIs announced simultaneously. For example, when Government announced subsidies in regard to generator sets, orders in respect of large industries were issued, after a lapse of a few months, on representations by SSIs, the concession was extended to SSIs also.

(c) The procedure for reimbursing subsidy should be the same both for the large scale and small scale. In a few types of subsidies, the large scale industries are permitted to adjust the subsidy even at the time of payment of charges/ tax. In respect of SSIs on the other hand, they have to pay the amount and

then get the subsidy by way of refund. Actually, the cash crunch is felt more by SSIs with its limited resources and therefore adjustment of subsidy at the time of payment will really benefit SSIs.

(d) The impact of sales-tax on small scale units is such that because of the high rates in our State, it would be advantageous in quite a few cases to get raw materials and components from outside the State, attracting only the Central Sales Tax. This matter requires a deed but quick study as a balance will have to be struck between the mobilisation of revenues by having high rate of sales-tax on the one hand and the hardship caused to SSIs by such rates as they loose in the competition with the suppliers from outside the State, on the other hand.

(e) Turnover tax on small scale industries is yet another cess which affects SSIs as turnover tax cannot be passed on to the buyers. A point has been raised that if the tax on turnover is not allowed to be passed on and has to be borne by the producer, then it may amount to Income-Tax Corporate-Tax. The stipulation that it should be borne by the producer may be removed and the turnover tax be allowed to be passed on to the purchaser, at least in respect of SSI units

15. Problems created by the Central Government:

(a) It was complained that the Central Excise rules are revised too often and very many notifications are issued that it was difficult to keep track of the plethora of notifications.

(b) Some decisions taken without examining fully the implications of change in the policy are announced to the detriment of SSI units. An instance is the case of HDPE sack manufacturing units. A large number of HDPE sack manufacturing units, involving significant investment on plant & machinery were established to meet the indigenous demand. A sudden decision of Central Government insisting on the use of Jute Bags for packaging 70% of cement, cent per cent Urea, has made all these units sick, as the market for HDPE bags disappeared overnight.

(p) The turnover limit for levying excise duty really gives room for a lot of avoidable problems. It would be better that, even when production is beyond the exempted limit, excise duty is levied only on the amount over the exempted limit. Then the tendency to manipulate production within the exempted limit or getting over this by having many units producing within the exempted limit could be avoided. Any loss of revenue on account of this can be partly made good by slight increase in the rates and partly will be made good by reduction in the avoidance of levy, by other manipulations.

16. Problems due to other causes

(a) (i) Bunching of Sanction of Payments :

There is a tendency on the part of financial institutions to sanction a number of projects for the same product near about the same time. This has been the cause to show the seeds for sickness because there is keen competition for the raw materials, the same machinery supplier is approached for the supply of plant and machinery and a cut throat competition on sets in amongst the new entrants.

(ii) A regular annual exercise be done to identily the industries which have good scope, industries which could

be thought of only if an entrepreneur with proved competence is forthcoming. In the month of January of every year in each district a committee consisting of the General Manager, DIC, representatives of Banks, TIIC, SIDCO, SISI and Small Scale Industries Association of the District should review the performance of SSIUs in the district in the previous calender year and identify the industries for which there is no scope, and industries in which there is overcrowding. These reports will be considered and reviewed by a state level committee comprising the Director of Industries, Managing Director, TIIC, Chairman & Managing Director, Director, SISI, representatives of State Bank of India, Indian Bank and Indian Overseas Bank. This Committee will do a similar exercise for the State as a whole. We consider that this annual exercise will prove very successful.

(b) Defective Machinery :

Quite often defective machinery purchased is one of the causes of sickness. We would suggest that an approved list of plan and machinery suppliers should be draw up. Application should be called or registration with an application fee of Rs. 500, which will meet at least part of the expenses on this exercise. The applicant should be asked to give details of equipment with him, the number of technical staff and skilled workers employed, the parties to whom supplies have been effected. Then a technical group consisting of representatives from DIC, SISI, SIDCO, TIIC should scrutinise the applications, visit the factories which have been cleared in the initial screening, obtain the opinion of the parties to whom the machinery manufacturers have supplied earlier, and prepare an approved list. This will atleast control spurious machinery manufacturers. Whatever difficulties that may be in implementation could and should be overcome to prevent the exploitation of the SSIs entrepreneurs by the spurious manufacturers.

(c) Delayed payment of bills and factoring :

One of the important causes that directly contributes to the financial crunch faced by the SSI units is delayed payments from those units to whom SSI units have effected supplies. When the bills are delayed credit given by the Bank is reversed and to that extent the limits come down, choking the free flow of funds.

The Central Government has on the anvil a statute to ensure payment of SSI dues by the mother units to whom supplies have been effected. Such an enactment in Japan proved to be a total failure. If an SSI takes the mother unit to a Court of law, and gets it punished, it is needless to say that the SSI concerned would no longer be a supplier to that mother unit. Not only this, other units would not also encourage an SSI which has taken a mother unit to Court. While for willful non-payment the threat of court action may provide the remedy. When the units suffer from resources crunch, they normally resort to credit purchase and postponing payments to their component suppliers. The classic example for the component suppliers bills being delayed are the State Electricity Boards and some of the public sector enterprises. The only remedy for prompt payment is to introduce the factoring services on which the Government, RBI & Commercial Banks are dragging their feet.

17. Prospects

The annual employment growth in the public sector and in the organised private

sector have been tardy. (Public sector includes the Central Government, State Government, local bodies and public sector concerns). The total annual growth in the years of 1986-87 and 1987-88 is given in the following Table :

	Public Sector	Private Sector	Total Organised Sector
1985-86	4,14,000	64,000	4,78,000
1986-87	3,42,000	-9,000	3,33,000
1987-88	3,06,009	27,000	3,33,000

It will be seen that the new job opportunities in the organised sector fall far short of the number entering the employment market every year. The immediate prospect of any increases in public sector concerns, whether in manufacturing, commercial banking, insurance appear to be dim. In the result, the only way for those with professional qualifications, collegiate education, high school passed etc. who enter the employment market is to engage themselves in remunerative activities through self-employment. There are self-employment opportunities in plenty, provided a person is able to identify the growth potential in the existing activities and introduce new activities.

More importantly the Government agencies dealing with SSIs should re-orient their attitudes and go all out to assist, encourage, and foster self employed entrepreneurs. Those dealing with SSIs, in financial institutions and banks should be carefully chosen, if need be, putting them through a psychiatrist test, to ensure that they have the proper mental frame to assist the small entrepreneurs. Quite often, some of these persons are misfits for their jobs as they always take an obstructive and negative attitude.

Summary of Discussion

The author at the outset expressed concern over the limited realisation for the need for self employment in the country. While on the one hand employment avenues were slowly shrinking, the private sector had its own limitations for creation of additional employment due to the modernisation and mechanisation process that was being given priority.

The small scale sector has a vital role to play in the economy but the various political parties have only paid lip service to promote small scale units in the country, he added The various concessions in the form of subsidies announced by the government from time to time have by and large benefited the large units when compared to the small units.

The author was also of the view that everyone could not be a successful entrepreneur as it required special talents. For the various aspects of training programme, the stress on achievement motivation, skill formation and the development of a cultivation for money sense is important. The various training programmes have also to be systematically changed based on the exigencies of the situation. The identification of the 'Entrepreneur' involved a person to know one's own strengths and weaknesses. In the process of such identification, deficiencies could be rectified but monitoring the scheme is equally important. During the discussions that followed a question was raised on the benefits and drawbacks of entrepreneurs in the wake of the recent liberalisation policy announced by the government.

The author mentioned that planning for a crisis should be part and parcel of the system which is not so in our country.

On the question of the crisis of environment and its implications for sustainable agriculture and human development a participant cited the case of Anand type of lobby where Dr. V. Kurien could mobilise and form successful cooperatives as far as white revolution was concerned. Therefore it was necessary to train entrepreneurs and conduct market surveys to improve marketing. Entrepreneurs could also follow the Anand model of forming cooperatives which could serve as an apex association to fight for their cause.

The Chairman while intervening in the discussion mentioned the existence of

such small industries organisation in Coimbatore, Erode, Madurai where different target groups exists.

The author also mentioned the existence of number of isolated training programmes in the country but cautioned the need to identify them and channelise their potential in the right direction by imparting the right type of training. For a carpenter it is the skill that really matters and not management training.

Training for a large number of people with different disciplines should equip them not only to gain employment and develop the skill but also to gain confidence and mobility in the profession.

On the question of lack of information on marketing in the syllabus on entrepreneurship it was felt that the marketing syllabus could be undertaken by NGO's under various EDP programmes. The author felt that it should not to part and parcel of the syllabus but optional in nature.

Another participant pointed out the broad areas of research from the theoretical angle of the entrepreneurs. One was relating to the marketable surplus as envisaged by Adam Smith. The main factor is attributed to motivation which is the pillar of extrepreneurship to use resources to produce surplus which must be a time bound task. Secondly, the social culture which helped to produce entrepreneurs to take risks is also very important.

On the question of technocrats who do not make successful entrepreneurs the author mentioned that it was true that technocrats were both good and bad entrepreneurs but the technical expertise had to be matched by marketing, quality improvement and suitable pricing policies. On the question of some communities 'being successful in business in the state it was mentioned that basically they were minority communities who had come to survive by making a livehood.

V. JACOB JOHN

The Changing Dynamics of Industrial Employment : Issues for Consideration*

All sources of data including official ones, affirm the declension/stagnation in organised sector employment during the last decade. An analysis of this problem (in the context of the new economic/industrial policy) is attempted at two levels :-

a) at the macro level - we highlight certain implications consequent upon "opening up" the economy to external competition (pressures);

b) at the micro level - we discuss the need for restructuring processes of production necessitated primarily by the forces of technology and market.

Among the fundamental changes that have occurred in the world economy (elaborated in detail by Peter Druker) and of immense importance to the economy of the LDCs, are, first, that the primary product economy has been 'uncoupled, from the industrial economy; second, in the industrial economy itself, production has been de-linked from employment. For all non-farm commodities (various products, minerals or metals) world demand is shrinking. The amount of raw material needed for a given unit of economic output has been dropping for the entire century except during the war time. In this context the Japanese experience is noteworthy. In 1984 for every unit of industrial production Japan consumed only 60 per cent of the raw materials required for the same volume of industrial production in 1973, eleven years earlier. A related phenomenon is the restructuring in production process leading to a decline in blue-collar employment. Most of the growth in employment in advanced countries is in non-manufacturing sectors. The possibility of further shrinkage in labour force in manufacturing is not ruled out.

At the global level, restructuring of the whole process of manufacturing has given an edge to Japan over the US. Michael Best in his book (The New Competition : Institutions of Industrial Restructuring : 1990) refers to it as the takeover of 'Big Business' by the 'New competition'. According to Best, the New Competition is led by business enterprises based upon different production and organisational concepts. At the centre of the New Competition is the entrepreneurial firm,

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an enterprise that is organized from top to bottom to pursue continuous improvement in methods, products and processes. The entrepreneurial firm seeks a competitive edge by superior product design, which may or may not lead to lower costs but it demands organizational flexibility which in turn requires organisational commitments to problem solving, a persistence to detail and an integration of thinking and doing in work activities.

A trend already discernible elsewhere in the world and not far from our doorstep is the farming out of activities that do not offer opportunities for advancement into fairly senior management and professional position. The corporation in stock market jargon is being "unbundled". Again the Japanese have shown the way as far as the feature of unbundling is concerned. The large Japanese manufacturing companies maintain short term earnings (and employment security for their workers) and long term investments in the future by "out-sourcing". They buy from outside contractors a far larger proportion of their parts than western manufacturers usually do. Thus they are able to cut their costs fast and sharply when they need to, by shifting the burden of short term fluctuations to the outside supplier.

One important fall out of this process of unbundling is that it makes it increasingly irrelevant to talk of the size of the firm in the sense in which it is largely used that is, small versus, the large firm. Using Best's characterization of economies into those based on the management principles of 'Big business' and those on the 'New Competition', we find that both witnessed the emergence of small firms. However under 'Big Business' the small firms were mainly subcontractors with no independent design capabilities; under these conditions a high rate of new firm formation did not signify a force for the restructuring of the economy but an increase in the dependence of small firms on large firms. On the other hand, the small firms of the new Competition are 'elements of a networked association of firms". Here the "institutions of cooperation are as critical as those of individuality".

Turning to the Indian scene, the first thing to note about the country going global is that while domestic economic concerns such as unemployment, inflation, nationalization/privatisation will *not* go away, increasingly international and transnational political issues will tend to upstage them. What is dismaying is the inability of the powers that be to come to grips with reality. The widespread failure on the industrial front is not being posed in organisational terms. The announcement of an Industrial Policy Statement simply does not recognise that a deeper production-rooted problem exists.

The manner in which labour is enmeshed with the industrial structure is crucial. In the American system the rise of big business was consequent upon the development of managerial hierarchies and scientific management (read Taylorism) which brought in collective bargaining and the welfare state. In Britain the existence of a powerful trade union movement prior to the establishment of Big Business limited the power of management to reorganise work according to the principles of mass production. In Japan, however, the the intense class struggle that took place was resolved by the establishment of welfare capitalism *within* the firm: by and large the Company relinquished the right to fire workers in exchange for a company union and no resistance to organizational change. The form of the

development of industrial capitalism had a powerful effect both on the definition of manager and worker and on the terms of relation between the firms and the government. The occupational pinnacle for a blue collar worker in America and Britain is foreman or front line supervisor, the ranks of management being closed. A career ladder for a worker in a Japanese factory can progress from group leader to production supervisor upto production manager.

The relevance of the above discussion to the Indian context lies in the following :

(a) Technological dynamism implies restructuring of the production process to be effective which cannot but lead to changes in labour requirements (often retrenchment).

(b) Hitherto retrenchment from the 'organized' sector has always meant swelling the ranks of the 'informal' 'unorganized' sector with its attendent evils of low wages, no enforcement of protective legislation, in short, exploitation of the highest order. Neither does the state take care of the retrenched workers.

(c) Even the most powerful of the trade unions in the country work in a rather uncoordinated fashion. It has been noted elsewhere that for any given amount of union power, unemployment is lower if unions and employers coordinate their wage bargaining either across industries or nationally. What works worst of all is strong but uncoordinated unions.

(d) The historically defined antagonistic relationship that characterize Industry and Labour makes it difficult for the industry to break with Taylorism which break is imperative in order to compete on the basis of superior products, higher quality, more reliable delivery times and shorter product development time. The potential for improving the conditions of work has not been systematically pursued by the trade union movement. For example, unions could seek greater job security for their members in exchange for an agreement to develop real production flexibility based on the skill-centred factory.

A grossly neglected area has been the acquisition of skills and the imparting of high quality continuous training. The effect of this cumulative neglect is being particularly felt when industry is now faced with a rapid rate of technological obsolescence and the need to acquire the state of the art knowledge and skills to sustain technological capability of the industry.

The first step in addressing the problem of declining / stagnant employment is a conceptual one. The real causes of the problem have to be distinguished from the apparent ones.

A high level of coordination between Government (read strategic planning) Industry (read private sector) and Labour (read trade unions) is imperative. An Industry Policy Statement has to be *in tandem* with a Labour Policy Statement since restructuring of the production process necessitated by technology is incumbent on restructuring the labour requirements.

In the light of the above discussion the question to be asked of the Industrial

Policy Statement is how the Government intends to operationalize the following commitment it has made, namely,

> "Government will fully protect the interests of labour, enhance their welfare and equip them in all respects to deal with the inevitability of technological change. Labour will be made an equal partner in progress and prosperity. Workers participation in management will be promoted. Workers' cooperatives will be encouraged to participate in packages designed to turn around sick companies. Intensive training, skill development and upgradation programmes will be launched".

The opposition parties including the organized left have still to concretize their opposition to the Government's economic policies with specific proposals. The need for drastic change, an efficient and functioning system which delivers the goods is recognized by one and all. Yet, beyond mouthing the usual generalities/banalities (soverignty of the nation is at stake, the government has surrendered to the dictate of the World Bank/IMF etc.), nothing much by way of an alternative course of action has been put out. If anything, a collective "national evasion of the strains and stresses" on the economic system over the years (due to half hearted and ineffective interventions in the system) have led to such severe and cumulative distortions in investment, income distribution and allocation of resources, that, short of a revolution, first in thinking, followed by action, much of it is irreversible.

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